

Motivational Factors of Entrepreneurs: Insights from Msme Sector in Kerala

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Abstract:

The establishment of MSMEs and success of entrepreneurs are extremely important and inevitable for developing countries like India, as they are significant contributors to economic growth and employment creation. Hence it would be of paramount importance to understand the motivational factors of entrepreneurs, as any insights on such factors will help the policymakers and authorities to make effective decisions for growth and development of the nation. The purpose of our study is twofold. First, it seeks to examine if there exists any difference among the motivation factors of the entrepreneurs in the MSME sector in urban and rural regions. The study also seeks to investigate the extent to which the selected eight factors motivate entrepreneurs to start the business. A total of 116 entrepreneurs in the MSME sector in Kerala were selected using judgment sampling. The data were analyzed using SPSS 23.0 for Windows. Descriptive statistics were used to describe and summarize the properties of data collected from the respondents. A Parametric statistics z-test was conducted to analyze any differences in motivation factors in urban and rural regions. Levels of 0.05 were established as priori for determining statistical significance. When asked to indicate their motives for business ownership, entrepreneurs suggested that to increase the income and to prove they can do it, and becoming their own boss were the most important reasons. Policymakers can motivate entrepreneurs by promoting the factors that lead to entrepreneurs to start business.

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I. Introduction

Micro, Small and Medium sized Enterprises (MSMEs) have been acknowledged internationally as the economic growth engine, to foster sustainable development.

MSMEs account for more than 90 per cent of the total enterprises in most economies and are credited with high employment rates and account for a large share of industrial production and

exports. In India also, MSMEs play an important role in the overall industrial development of the Indian economy. They account for about 45% of the total industrial production and 43% of the exports from the country. To catalyze socio-economic transformation, the creation of SME'S is extremely critical for meeting the national imperatives of financial inclusion and the generation of substantial levels of employment across urban and rural areas(CII,

2017). According to the National Sample Survey (NSS) 73rd round, conducted during the period 2015-

16 by the National Sample Survey Office, the Ministry of Statistics and Program Implementation, 633,88 lakh non

agricultural MSMEs were involved in various economic activities in the country (196,64 lakh in Manufacturing, 230,35 lakh in Trade and 206,84 lakh in Other Services and 0,03 lakh in Non-captive Electricity Generation and Transmission) (Sinha, 2019). Of these, 31% MSMEs were found to have engaged in manufacturing activities, while 36% were in Trade and 33% in Other Services. Again, out of 633.88 estimated number of MSMEs, 324.88 lakh MSMEs (51.25%) were in rural and 309 lakhs MSMEs (48.75%) were in the urban areas. The sector was accounted for more than 90 percent of the Industrial units in India and has been increasing impressively for the last many years. In its Annual Report (2017-2018), the Ministry of Micro, Small and Medium Enterprises states that out of 633.9 lakhs of MSMEs, the micro sector, estimated at 630.52 lakh enterprises, employs 1076.19 lakh people, which accounts for around 97 per cent of total employment in the sector. It was estimated that small sector with 3.31 lakh units and Medium sector with 0.05 lakh units, employs 31.95 lakh (2.88%) and 1.75 lakh (0.16%) persons of total employment in MSME sector, respectively (Annual Report 2017 -2018). They constitute around 40 percent of India's total workforce inevitably making it the backbone of the country's economy. They have been able to provide employment to around 120 million persons and contribute about 45% of India's total exports. Approximately 20% of MSMEs are rural-based, indicating the deployment of significant rural workforce in the MSME sector and demonstrating the importance of these undertakings in promoting sustainable and inclusive growth and generating large-scale jobs, particularly in rural areas. MSME sector has appeared as a vibrant and dynamic sector

for the economy by acting as a catalyst in promoting the growth and development and this sector in India is recognized as an integral component of economic development.

II. Relevance of the Study

Though entrepreneurship has long been regarded as the source of job creation and an engine of economic growth, entrepreneurship as a career option is still very low among the social circles of Kerala. The state's entrepreneurial contribution is less compared to its neighboring states. Since entrepreneurs and MSME sectors are significant contributors to economic growth and employment creation, this study was focused on MSME entrepreneurs in Kerala. In this study, we have attempted to generate some deeper insights on the motivational factors of MSME entrepreneurs, which could help academics and experts to conduct further studies into the area and the policymakers to design policies and laws that encourage and promote the creation of businesses in the State. Our extensive review of literature on related studies conducted in different parts of the world reveals that motivation and success factors of entrepreneurs are highly complex and multidimensional. These factors differ considerably from country to country and region to region. If the motivations differ across rural and urban areas, then the policies must be specifically designed to meet the goals and needs of the entrepreneurs within each area. Understanding more about the motivating factors of entrepreneurs may help policymakers develop appropriate policies that will promote the creation of new business and help existing SMEs to flourish.

III. Objectives of the study

- To understand the factors which motivate entrepreneurs to start and maintain MSMEs in Kerala

- To analyse whether there exists any differences in the motivational factors across urban and rural areas in the state of Kerala.

IV. Literature review

It is universally accepted that the entrepreneur is an important factor for a venture's creation and performance (Schumpeter, 1934; McClelland, 1961; Baum, Frese, & Baron, 2014). Governments can function as facilitators for economic growth, but they alone cannot bring in job opportunities, enhance production, or increase GDP rate effectively. This is possible only by the cumulative efforts of the entrepreneurial community, by the introduction of innovative products, production process, raw material sources, capital sources, and new markets (Schumpeter, 1934). Several researchers have investigated factors such as motivation, success factors, and problems small business entrepreneurs face in many countries because small business establishments and job creation are important factors for economic development (Kara & Chu, 2010). But motives for becoming a business owner vary from person to person, from one country to another depending on economic, political, social, and cultural environment in which entrepreneurs operate. Since understanding of entrepreneurial motivational factors is crucial for developing and sustaining entrepreneurship, the following review of reasons would be highly relevant.

V. Motivating factors for Entrepreneurs

In the entrepreneurship literature, what motivates individuals to become successful entrepreneurs has been a primary area of research interest. Motives provide insights into the entrepreneurs' intentions (Yalcin & Kapu, 2008) and drive behaviour where the goal is to survive, to succeed, and to avoid failure (Carsrud & Brannback, 2011). Kuratko, Hornsby, & Naffziger, 1997 argued that to understand the entrepreneurial process completely,

motivations behind entrepreneurship is to be understood. Motivating factors can be either internal or external to the entrepreneur (Kuratko, Hornsby, & Naffziger, 1997; Robichaud, McGraw, & Roger, 2001). Kuratko, Hornsby, & Naffziger, 1997 classified motivators into four categories: extrinsic rewards, independence/ autonomy, intrinsic rewards, and family security. Carsrud & Brannback, 2011 argued that motivation is the link between the intention and action of entrepreneurs, and there appears to be a relationship between motivation and performance and (Herron & Robinson, 1993; Kuratko, Hornsby, & Naffziger, 1997). (Yalcin & Kapu, 2008) classified entrepreneurial motivations into four categories: financial, recognition, freedom, and family tradition. They found the desire to earn more money and the lack of appropriate job opportunities to be the key motivators. In a study of Kenyan and Ghanaian entrepreneurs, (Chu, Benzing, & McGee, 2007) found that increasing income, creating a job for oneself, personal satisfaction and growth, and job security are the top motivators. Romanian entrepreneurs are motivated by the opportunity to increase their income and to provide job security (Benzing, Chu, & Szabo, 2005) and Ugandan entrepreneurs' primary motivation was to make a living/money (Bewayo, 1995). Vietnamese entrepreneurs were motivated by the desire for personal satisfaction and growth and to provide jobs for family members and the entrepreneur (Benzing, Chu, & Callanan, 2005). It has been found that Filipino entrepreneurs are motivated by a desire to earn more money and be independent (Chu, Leach, & Manuel, 1998). With regard to the Chinese business ownership motives, a study conducted by Pistrui, Huang, & Oksoy, 2001 revealed that the need for personal achievement, the need to directly contribute to a company's success and the need for higher earnings are the primary motives for business ownership. In a study of new business startups in eleven countries, (Scheinberg & Macmillan, 1988) found

out six motives like the need for approval, the perceived wealth, the degree for communitarians, the need for personnel development, and the need for independence as motives leading people to become entrepreneurs. However (Mann & Thorpe, 1998) suggested that Asian entrepreneurs tend to think that making more money is the most important force leading to ownership of the business. White entrepreneurs on the other hand, are motivated by the desire for independence associated with business ownership. (Pingle, 2005) suggested that in countries with entrenched poverty, people have few choices other than self-employment. People in developing countries are more driven by lack job, poverty and survival to become entrepreneurs while in the developed economy entrepreneurial activities stem out of desire to seize an opportunity and innovation to start a business (Eijdenberg, Paas, & Masurel, 2015).

According to researchers, individuals can be “pushed” into starting a business by external negative conditions such as unemployment and retrenchment, the need for flexibility for family responsibilities, a low paying job with little upward mobility and/or a desire to escape supervision (Curran & Blackburn, 2001; Yalcin & Kapu, 2008). At the same time “pull” factors, such as the desire to be one’s own boss, increase wealth, change lifestyle or use one’s experience and knowledge, self-actualization can attract an individual to entrepreneurship (Yalcin & Kapu, 2008).

Overall, the literature indicates that there are differences in the motivations of entrepreneurs by region. Such gaps point to a new strategy for motivating entrepreneurs. Knowing more about the motivations of entrepreneurs may help policymakers establish effective policies that encourage the creation of new businesses and help existing enterprises to flourish. Based on a review of literature, we argue that importance attributed to

motivational goals will determine an MSME entrepreneur's satisfaction with their success and hence leads to attain the mastery of knowledge, skills, and abilities needed for sustained entrepreneurial behaviours to develop and grow business.

VI. Research Methodology

Survey Questionnaire The questionnaire used in this study was developed by Hung M. Chu (Chu & Katsioloudes, 2001) and has been used in studies of entrepreneurs in Vietnam, Romania, and Turkey (Benzing, Chu, & Szabo, 2005; Benzing, Chu, & Callanan, 2005; Chu, Benzing, & McGee, 2007). The motivation factors are akin to those suggested in the work of (Kuratko, Hornsby, & Naffziger, 1997; Robichaud & McGraw, 2001). The survey questionnaire consists of 26 questions that are divided into three sets of questions. The first set of questions addresses the ownership, type, and age of business, number, and category of employees. The second set focuses on personal information on the business owner such as his/her age, gender, marital status, educational level, and previous work experiences. The third set of questions addresses the entrepreneur’s daily experiences and expectations including questions focusing on motivations.

The survey

Data were collected from 116 entrepreneurs in Ernakulam, Kozhikode and Trivandrum districts of Kerala State in India. Judgment Sampling Method was adopted to select the sample. The population of the study is entrepreneurs who have established and running Micro, Small and Medium Enterprises with minimum experience of 5 years. The sampling frame of the study is the registers maintained at the District Industries Centre (DICs) of Kerala, where the respective MSMEs have taken permanent registration. The entrepreneur was defined as the proprietor, managing partner or chairman/managing director of the respective organisations. The method of filling out the

schedule was a “face-to-face” meeting with the owner.

Methodology

The strength of a motivational factor was measured using a five-point Likert scale. The scale ranged from one, which indicates that the motive is important to a score of five, which indicates that the motive is not important at all. A mean score was computed for each of the eight motivational items. A higher mean score indicates that the motive was more important to the entrepreneur. To test whether any difference exists between rural and urban entrepreneurs regarding motivation and success factors, z test was used.

Sample characteristics

Out of the total sample, 63.79 percent were male entrepreneurs and 36.21 percent were female entrepreneurs. In total 54.31 percent of the entrepreneurs taken as sample claimed to have completed their degree and 13.79 percent their Post-Graduation. 11.21 percent and 20.69 percent of the sample have qualified 10th class and 12th Class respectively. The sample had a higher percentage of married entrepreneurs, i.e. 88.8 percent. Most of the entrepreneurs in the sample are experienced people. Out of the total sample, 13.8 percent were in the rural location and 86.2 in the urban area.

Table 1 : Sample Characteristics

Gender	Frequency	
	cy	Percent
Male	85	63.79
Female	31	36.21
Qualification		
	SSLC	11.21
	Plus two	20.69
	Degree	54.31
	PG	13.79
Marital Status		
	Single	6.9
	Married	88.8
	Widow/Widower	4.3

Experience		
	None	32.8
	Up to 5	38.8
	5 to 10	8.6
	10 to 15	8.6
	Above 15	11.2
Location	Frequency	
		Percent
	Rural	13.8
	Urban	86.2

VII. Results

As shown in Table II, the highest-scoring motivation for the total sample is “to prove I can do it”. The overall mean score for ‘To prove I can do it’ was 3.98 with 79.60 percent of the respondents indicating that to prove I can do was extremely or very important. This finding is in congruence with the study conducted by (Collins, Hanges, & Locke, 2004), stating that achievement motivation is highly correlated with entrepreneurial performance. Based on the overall mean score for the entire sample, the second most important motivation was to “increase the income with a mean score of 3.95. The other important motivators to be an entrepreneur are” to be my own boss” and “for my satisfaction and growth”.

Table II. Mean score on each motivation item for the total sample

	Mean	Mean %	Rank
To be my own boss	3.83	76.60	3
Able to use my past experience and training	3.51	70.20	5
To prove I can do it	3.98	79.60	1
To increase my income	3.95	79.00	2
For my own satisfaction and growth	3.55	70.93	4
To build a business to pass on	3.25	65.05	8
To maintain my personal freedom	3.46	69.29	6
To be closer to my family	3.37	67.40	7

Confirmatory Factor Analysis

Confirmatory factor analysis (CFA) is a multivariate statistical procedure that is used to test how well the measured variables represent the number of constructs. This technique is chosen for its ability to examine a series of dependence relationships simultaneously, especially where there are direct and indirect effects among the constructs within the model. In this study, AMOS 7.0 was used and the SEM estimation procedure is maximum likelihood estimation. In using SEM, it is a common practice to use a variety of indices to measure model fit. In addition to the ratio of the χ^2 statistic to its degree of freedom, with a value less than 5 indicating acceptable fit, researchers recommend a handful of fit indices to assess model fit. These are the Goodness of Fit (GFI), Normed Fit Index (NFI), Standardized Root Mean Residual (SRMR), and the Comparative Fit Index (CFI). The following table shows the level of acceptable fit and the fit indices for the proposed research model in this study. All values satisfied the recommended level of acceptable fit. However, the results of the normed χ^2 (χ^2 / df) value in the present study is well within the recommended $\chi^2 / df < 3$.

Table II Level of Fit (Motivation Factors)

	Recommended	Level of Fit
χ^2		19.274
DF		16
P	>0.05	.255
Normed χ^2	<3	1.205
GFI	>0.90	0.961
AGFI	>0.91	0.912
NFI	>0.92	0.983
TLI	>0.93	0.995
CFI	>0.94	0.997
RMR	<1	0.028
RMSEA	<0.05	0.042

Table IV – Regression weights

	Coefficient	Rank
To be my own boss	0.900	3
To be able to use my past experience and training	0.858	7
To prove I can do it	0.931	2
To increase my income	0.932	1
For my own satisfaction and growth	0.866	5
To build a business to pass on	0.881	4
To maintain my personal freedom	0.864	6
To be closer to my family	0.809	8

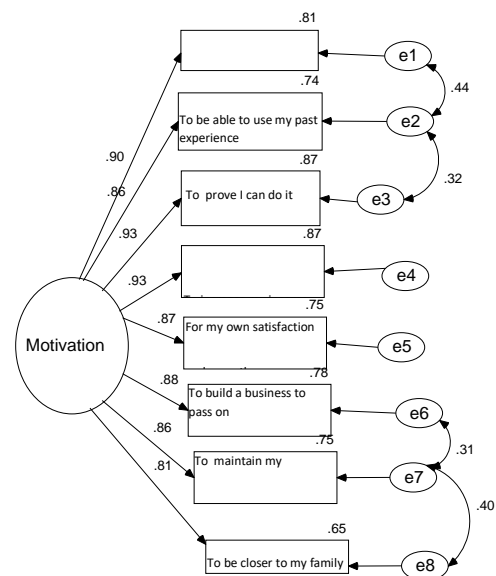


Fig 1: CFA

It is highly imperative to note that in CFA, it was found that the two equally important motives for owning a business are to increase income and to prove I can do it. This finding supports the findings we got by calculating the mean square value.

Demographic comparison

The discussion carried out so far is based on total data. It is reasonable to think that opinions may vary with the regional differences of the respondents. Accordingly in the present section, we are attempting to explore these types of variations.

Table V - Z-Test (Motivation Factors)

	Location	Mean	Std. Deviation	Mean% Score	Z	Sig. (2-tailed)
To be my own boss	Rural	3.88	1.02	77.50	.286	.775
	Urban	3.82	0.60	76.43		
Able to use my past experience and training	Rural	3.31	0.87	66.25	-1.048	.297
	Urban	3.55	0.81	70.95		
To prove I can do it	Rural	3.88	0.62	77.50	-.889	.376
	Urban	4.00	0.49	80.00		
To increase my income	Rural	4.19	0.75	83.75	1.718	.089
	Urban	3.90	0.57	78.10		
For my own satisfaction and growth	Rural	3.56	0.63	71.25	.114	.909
	Urban	3.54	0.61	70.86		
To build a business to pass on	Rural	3.07	0.46	61.33	-1.359	.177
	Urban	3.29	0.59	65.71		
To maintain my personal freedom	Rural	4.00	0.53	80.00	3.946	<.001
	Urban	3.37	0.58	67.38		
To be closer to my family	Rural	4.19	0.91	83.75	4.465	<.001
	Urban	3.21	0.78	64.29		

Z-tests for the regional differences for motivation.

We noted the descriptive differences in the perceived importance attributed to several motivational factors to the entrepreneurs in Kerala. These are reported in Tables V. To understand how our study variables differ across urban and rural regions, we also conducted z-tests to explore the regional differences for the factors in the present study. Findings of this study reveals that Urban and rural entrepreneurs do not significantly differ in terms of the motivation to start a business.

However, this study found that there is a location difference in 2 of the 8 items comprising the perceived importance attributed to motivation to start a business. Rural entrepreneurs tend to perceive the opportunity "to be closer to my family" and "to maintain my personal freedom" as an important source of their motivation to start a business than those urban entrepreneurs. Other than this factor, there is no significant regional difference in terms of the factors perceived as motivation to start a business. This finding implies that both urban and rural entrepreneurs have similar attitudes as far as the importance attributed to having a business to prosper and succeed in life.

Limitations and implications for further study

The list of motivations used in the survey was limited to eight. Future surveys could consider adding other motivational items such as, "to create my own job" and "to control my own time", "to benefit the community". This study is also limited in that it only examines entrepreneurs in MSME sector using a judgment sampling. Perhaps a stratified sample or a more adequate sample matched by size would yield different results. One should not generalize the results of this study as it has been confined only to MSME sector.

Discussion and policy implications

This analysis points to the fact that entrepreneurs in Kerala are mainly motivated by the desire to increase their income and to prove they can do it. At the same time, entrepreneurs see running a business as a way to gain personal growth and a business to pass on. Governments and policymakers must ask themselves how they can enhance the environment and enable entrepreneurs to earn and keep more money. Though Government has already recognized the economic importance of MSMEs and has already instituted many programs to increase available funds promote training and provide aid to existing businesses, but more can be done to stimulate the creation of new businesses,

since entrepreneurs appear to be more motivated by public recognition. Governments might consider recognizing and rewarding innovative or successful MSME entrepreneurs at different levels and categories. The local governments might institute contests and programs that publicly acknowledge the achievements of these business leaders. Special attention to the motivating factors could result in more persons deciding to start their own business, thereby creating more job opportunities and promoting economic growth.

VIII. Conclusion

The results of this study indicate that entrepreneurs in Kerala are strongly motivated to start their businesses by the desire to increase their income. This is not surprising given the weak job market in Kerala. In an item-to-item comparison, differences emerged among entrepreneurs in the urban and rural areas. Rural entrepreneurs are more influenced by personal freedom and family closeness than the urban entrepreneurs. Government of Kerala has started to appreciate the contribution of the MSME sector to GDP growth and employment. But more can be done. A better understanding of entrepreneurial motivation within a region could result in policies that directly influence the formation of such businesses. The government, therefore, needs to design region-specific policies to encourage citizens to invest in their own businesses, their own future and their country's progress as well.

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