

A STUDY ON PUSH AND PULL FACTORS INFLUENCING THE PERFORMANCE OF RURAL MICRO, SMALL AND MEDIUM ENTERPRISES

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Abstract

The present study has been taken up in the Suler taluk of Coimbatore district. The study aims to contribute by applying the existing theory on push and pull factors motivating to incept businesses in rural areas. A sample of 100 rural entrepreneurs has been selected by using purposive sampling technique. Interview schedule was employed to collect the primary data. Descriptive statistical tools such as frequency, percentage, correlation and regression have been used to analyze the data. The findings of the study revealed that applying technical and professional skills, to earn money, desire to achieve something, and to be own boss as pull factors and lack of recognition of work, dissatisfaction with previous occupation, lack of responsibilities, need for greater income and family hardship has been identified as push factors motivated rural entrepreneurs to incept business in rural areas. The study has concluded that there has been a moderate correlation among motivational factors and business performance of rural micro, small and medium manufacturing enterprises in Coimbatore district.

Key words: Rural entrepreneurship, self-employment, push and pull factors, MSME, business performance, rural development, etc.

1. Introduction

Entrepreneurship is considered as a significant factor for the economic growth, innovation and job creation of a country. The term rural entrepreneurship refers to the self-employment programs exclusively meant for rural people. The present study has taken up in Coimbatore district of Tamil Nadu. Coimbatore is one among the industrially developed and commercially vibrant districts of Tamil Nadu. It has got high concentration of small, medium and large scale industries. At present, there are more than 25,000 small, medium and large scale industries in this district. Coimbatore is also famous for the manufacture of motor pump sets

and varied engineering goods. By recognising the importance of SSI units in the development of economy, the government has been continuously attempting to improve the availability of critical input to this sector and create appropriate infrastructural environment. Recently, significant policy initiatives have created for easy availability of financial assistance, incentives and subsidies for rural enterprises. This has influenced many enterprises for their start-ups and resulted in growth in the number of SSI units in Coimbatore district.

2. MSME definition

The definition of micro and small-scale enterprises in India has changed over the years. Micro small and medium enterprises as per MSME Act, 2006 are defined based on their investment in plant and machinery for manufacturing enterprises and on equipment for enterprises providing or rendering services. The defined limit on investment for micro, small and medium enterprises is as follows.

Table 1

Definition of Micro, Small and Medium Enterprises

Enterprises	Manufacturing Sector	Service Sector
Micro Enterprises	Does not exceed twenty five lakh rupees	Does not exceed ten lakh rupees:
Small Enterprises	More than twenty five lakh rupees but does not exceed five crore rupees	More than ten lakh rupees but does not exceed two crore rupees
Medium Enterprises	More than five crore rupees but does not exceed ten crore rupees	More than two crore rupees but does not exceed five crore rupees

Source: Ministry of Micro, Small and Medium Enterprises

3. Literature review

Serazul Islam (2012) found out money making for family, self-employment, gaining higher social status, use of personal knowledge and previous experience, family business tradition, and less complexity but more profitability

nature of business as the pull factors while lack of higher formal education, curse of unemployment, dissatisfaction with previous occupation, and family hardship or pressure as the push factors. Sangya Shrivastava and Roopal Shrivastava (2013) concluded that necessity entrepreneurship bears no effect on economic development but opportunity entrepreneurship has a positive and significant effect. Sujatha, Yesodha Devi and Nandhini (2015) found that the main motive to start business is to earn money and women entrepreneurs get direct support from their family members to start their new ventures. The study has also found that cut throat competition, high interest rate, insufficient amount for assistance and lack of proper training are the difficulties faced by the women entrepreneurs. Kavita Sharma (2016) analysed the push and pull factors which drive the leading women entrepreneurs to be expert in their respective fields. The study has found that the pull factors as challenging jobs, enjoying freedom and developing the hobby, personal achievement in society and on the other hand, push factors as earning more income need to balance work and home roles.

4. Statement of the problem

Exhaustive review of literature on industrialisation has revealed that there is a need for many more studies on rural entrepreneurship because of variations in geographic, social, cultural, political and economic conditions from state to state and from region to region within a state. There is also need to throw light on the factors that motivate entrepreneurs to establish their units in rural areas. Hence, the study has been made in a way to identify the pull and push factors motivated rural entrepreneurs to incept their business units and to what extent these factors have created an impact on their business performance in spite of the existing challenges confronted by them.

5. Objectives of the study

1. To study the business profile of rural micro, small and medium manufacturing enterprises.

2. To analyse the push and pull factors motivated entrepreneurs to incept the business in rural areas.
3. To examine the impact of pull and push factors on business performance of rural micro, small and medium manufacturing enterprises.
4. To identify the problems faced in their functional areas of the business.

6. Methodology

The study has employed descriptive and analytical design. A sample of 100 rural entrepreneurs was selected by using purposive sampling technique based on their period of existence in the business. Interview schedule has been used to collect the primary data. Statistical tools namely such as frequencies, mean, standard deviation, Kendall's co-efficient of concordance, correlation and regression analysis have been employed to analyse the data. Before proceeding to further analysis, the reliability test has been conducted by using Cronbach's Alpha. Pull and push factors have been taken as independent variable with the Cronbach's Alpha score of having 0.802 and 0.765 respectively and firm performance has been taken as dependent variable with the Cronbach's Alpha score of having 0.741 where both variables obtained are above 0.70 which shows the reliability is good.

7. Findings of the study

The study has investigated the motivational factors and business performance of rural micro, small and medium manufacturing enterprises in Suler taluk of Coimbatore district. The study has looked the business profile in terms of business age, type, nature of activity and business size. Accordingly 50 per cent of the respondents have 8-10 years of business existence, 30 per cent of the respondents have 5-7 years of business existence and 20 per cent of the respondents have more than 10 years of business existence. 56 per cent of the respondents are sole proprietorship and 44 per cent of the respondents are partnership business. 56 per cent of the respondents are running textile business,

28 per cent of the respondents are engaged in manufacturing such as engineering goods, corrugated boxes, paper plates, etc. 82 per cent of the respondents are running micro business, 18 per cent are running small business and 9 enterprises are running medium enterprises.

Table 2
Descriptive Statistics on Motivational Factors

Ambitious Factors	N	Mean	SD	Compelling Factors	Mean	SD
To Earn extra money	100	4.63	.49	Long term unemployment	1.90	.66
Family business tradition	100	2.00	.69	Dissatisfaction with previous occupation	4.53	.68
To Gain higher social status	100	2.60	.56	Family hardship or pressure	4.00	.52
Desire for leadership	100	3.53	.51	Lack of higher formal education	1.77	.73
To be an own boss	100	4.53	.51	Financially dependent/poverty	2.17	.38
Job security	100	3.17	.38	Need for greater income	4.17	.53
Use of technical and professional skills	100	4.67	.48	Lack of responsibilities	4.27	.74
Desire to achieve something	100	4.60	.56	Lack of recognition of work	4.63	.61
Need for independence	100	2.77	.50			

Source: Primary Data.

It is evident from the above table that high mean rating for ambitious factors has been found for the statement ‘use of technical and professional skills’ (4.67), followed by ‘to earn extra money’ (4.63), ‘desire to achieve something’ (4.60), ‘to be an own boss’ (4.53) and the least score has been found for ‘family business tradition’ (2.00). The high mean rating for compelling factors has been found for ‘lack of recognition of work’ (4.63), followed by ‘dissatisfaction with previous occupation’ (4.53), ‘lack of responsibilities’ (4.27), ‘need for greater income’ (4.17), and ‘family hardship or pressure’ (4.00). The least score has been found for ‘lack of higher formal education’ (1.77).

Table 3

Business Performance of Rural MSMEs

Performance Indicators	N	Mean	SD
Reduction in the cost of production	100	3.97	1.245
Increase in sales volume	100	4.53	.629
Increase in profit	100	4.48	.738
Increase in number of employees	100	3.77	1.223
Return on investment	100	2.87	1.833
Customer satisfaction	100	4.67	.479
Customer retention	100	4.63	.490
Business image	100	3.43	1.045
Market share	100	2.77	1.652
Expansion and diversification	100	4.23	.898

Source: Primary Data.

It is evident from the above table that high mean rating has been found for ‘customer satisfaction’ (4.67), followed by ‘customer retention’ (4.63), ‘increase in sales volume’ (4.53), ‘increase in profit’ (4.48), and ‘expansion and diversification’ (4.23). The least score has been found for ‘market share’ (2.77).

Relationship between motivational factors and firm performance

The results of the correlation analysis have shown that motivational factors has a significant moderate relationship with business performance ($r=0.338$; $P=0.005$). Thus, there has been a significant relationship between push and pull motivational factors and the performance of rural micro, small and medium manufacturing enterprises. The R^2 value (0.642) obtained when multiplied by 100 gives the percentage of variation in the dependent variable explained by the group of independent variables in the regression equation. Hence, 64.2 per cent variability in the performance of rural micro, small and medium manufacturing enterprises has predicted by the independent variables ‘ambitious factors’ and ‘compelling factors’. However, the F-value ($F=82.701$) shows that, the model has been statistically significant at 1 per cent level. The t-test statistics calculated for

the regression co-efficient have shown that the ambitious and compelling factors have a significant influence on the performance of rural micro, small and medium manufacturing enterprises at 1 per cent level. The contribution of the ‘compelling factors’ have contributed less to the performance of rural micro, small and medium manufacturing enterprises. The entrepreneurs take business as career option not by ‘force’ but by ‘choice’. Nevertheless, manufacturing is one of the thrust areas for rapid technology up-gradations that help to enhance productivity in a highly competitive business environment. The relative prevalence of low level of technology and high material cost has increased the cost of production with poor productivity rates. Progressive state and central government schemes and subsidies have not been accessed by the respondents because of lengthy procedures to access the benefits, stringent rules and regulations, etc.

Table 4

Financial Problems of the Respondents

Financial Problems	Mean Score	Rank
More legal formalities for getting loan/cumbersome procedures	2.18	2
Delay in sanction of the loan amount	3.38	3
Insistence on collateral and margin money requirement	1.88	1
High rate of interest	4.58	4
High transaction cost	6.10	6
Tight repayment schedule	6.28	7
Insisting compulsory deposit	6.63	8
Difficulty in collecting the outstanding amount from the customers	4.96	5

Source: Primary Data.

The most financial problem faced by rural micro, small and medium enterprises has been ‘insistence on collateral and margin money requirement’ (1.88), followed by ‘more legal formalities for getting loan/cumbersome procedures’ (2.18), ‘delay in sanction of the loan amount’ (3.38) and ‘insisting compulsory deposit’ (6.63). Kendall’s co-efficient of concordance has been used to find the extent of similarity among the respondents in the order of assigning their ranks. The Kendall’s value found for the eight items has been 0.591 which

implies that there has been moderate similarity among the respondents in their order of assigning the ranks.

Table 5

Human Resource Problems of the Respondents

Human Resource Problems	Mean Score	R1ank
Difficulty in identifying the source of recruitment	4.38	5
Lack of skilled labourers	1.46	1
Inadequate motivation from employees	4.27	4
Labour absenteeism	3.21	3
Labour turnover	2.80	2
Demanding high monetary and non-monetary benefits	4.88	6

Source: Primary Data.

Lack of skilled labours (1.46) has been the most labour problem faced by the respondents, followed by ‘labour turnover’ (2.80), ‘labour absenteeism’ (3.21) and ‘demanding high monetary and non-monetary benefits’ (4.88). Kendall’s co-efficient of concordance has been used to find the extent of similarity among the respondents in the order of assigning their ranks. The Kendall’s value found for the six items has been 0.484. This shows that there has been moderate similarity among the respondents in their order of assigning the ranks.

Table 6

Production Problems of the Respondents

Production problems	Mean Score	rank
Irregular power supply	3.55	4
High cost of raw material	1.55	1
Shortage of water	3.16	3
Inadequate technical support for proper machinery utilisation	2.39	2
Obsolete (old) machinery	4.36	5

Source: Primary Data.

The ‘high cost of raw material’ (1.55) has been the major production problem of the rural micro, small and medium manufacturing enterprises, followed by ‘inadequate technical support for proper machinery utilisation’ (2.39),

‘shortage of water’ (3.16) and ‘using of obsolete machinery’ (4.36). Kendall’s co-efficient of concordance has been used to find the extent of similarity among the respondents in the order of assigning the ranks. The Kendall’s value found for the five items has been 0.505. This shows that there exists moderate similarity among the respondents in the order of assigning their ranks.

Table 7

Marketing Problems of the Respondents

Marketing Problems	Mean Score	Rank
Lack of information on changing market condition	5.88	6
Cut-throat competition from large scale and urban entrepreneurs	1.74	1
Inadequate market research	7.38	8
Lack of organised market channels	6.80	7
Unfamiliarity with export procedures	4.70	5
Cumbersome export formalities	4.22	4
Inadequate marketing support from Govt. Agencies	2.82	3
Customers request for extension of time for payment	2.46	2

Source: Primary Data.

The above table reveals that, the most marketing problem faced by rural micro, small and medium manufacturing enterprises has been ‘cut-throat competition from large scale and urban entrepreneurs’ (1.74), followed by ‘customers request for extension of time for payment’ (2.46), ‘inadequate marketing support from government agencies’ (2.82) and ‘inadequate market research’ (7.38). Kendall’s co-efficient of concordance has been used to find the extent of similarity among the respondents in the order of assigning the ranks. The Kendall’s value found for the eight items has been 0.747. This shows that there exists high similarity among the respondents in the order of assigning their ranks.

8. Conclusion

Entrepreneurship is the one of the best ways of improving the socio-economic status of people in the society. Based on the research findings, the study has identified that applying technical and professional skills, to earn money, desire to achieve something, and to be own boss as pull factors and lack of recognition of

work, dissatisfaction with previous occupation, lack of responsibilities, need for greater income and family hardship as push factors motivated to establish business units in rural areas. The study has concluded that motivational factors influence the business performance of rural micro, small and medium manufacturing enterprises. Therefore, the general assumption of “motivational factors do not influence the business performance of rural micro, small and medium manufacturing enterprises” has been disproved.

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