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MOTIVATIONAL FACTORS OF MSMES IN NELLORE DISTRICT

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ABSTRACT

Entrepreneurs are playing a major role in the economy of each country on the planet. They contribute to national economies by starting up and running small and medium sized enterprises (MSMEs), which make more than 95% of the total number of enterprises and which are providing jobs to more than 60% of all employees within each country. The significance of entrepreneurship for economic development obliges governments and all other relevant institutions within each country to continue to facilitate its growth by all means necessary. In order to do this, these institutions need to be familiar with motives of entrepreneurs to start their own business. In this paper, results of empirical research concerning motivational factors of entrepreneurs in Nellore District are presented. The analysis of the impact of socio-economic factors on entrepreneurship development in the district reveals that the growth of entrepreneurship has more or less been influenced by the factors like previous experience, strong desire to do something, independent in life and motivation by the family members.

Key Words: Motivational Factors and Ranking of Factors

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INTRODUCTION

The economic development of any province largely depends on the economic wellbeing of the Micro, Small and Medium Enterprises Sector due to its immense contribution in terms of mobilizing and making use of unutilized pool of talent and enhancing their entrepreneurial skills which will lead to fill their hearts with gigantic amount of entrepreneurial spirit, critical infrastructure, regional competitiveness, environmental sustainability, social inclusion, health, safety, literacy, and other initiatives. Moreover, economic development is an endeavor with aims of economic and social well-being of people. It is well known that the socio-economic factors like social status, age, marital status, education starting before the enterprise, occupation of the family members, initiatives to start the industry, future plan of the entrepreneurs, reason for selecting the location and the important aspect of motivational factors are influencing the entrepreneurs' development everywhere. The analysis of the impact of socio-economic factors on entrepreneurship development in the district reveals that the growth of entrepreneurship has more or less been influenced by the factors like previous experience, strong desire to do something, independent in life and motivation by the family members.

Objectives

1. To examine entrepreneurial factors influencing entrepreneurship development in Nellore district,
2. To motivate the entrepreneurial instinct in Nellore district,
3. To develop and strengthen entrepreneurial quality and motivation in Nellore district.

Review of Literature

A comprehensive review of literature has become an essential part of any investigation as it not only gives an idea about the work done in the past and assists in delineation of problem area but also provides a basis for interpretation of findings. The available relevant literature on MSME and also SSI sector is reviewed with reference to motivate the entrepreneurial instinct in Nellore district, as well as other related aspects. An attempt is made along with the following lines to review some of such studies.

1. Gangaadhara Rao (1978)¹ had made detailed and in-depth study of the small scale units located in the industrial estates of coastal Andhra Pradesh and attempted to evaluate the impact of the programme of industrial estate on the emergence of entrepreneurship in the small scale sector. The study found that educational and income levels are important factors motivating entrepreneurship of all ambitions. Money making is the major ambition of the entrepreneurs.
2. Vivek Deolankar (1983)² attempted a quantitative survey of entrepreneurship development in the developed, developing and backward states of India by collecting information from a sample of 264 Small Scale Units located in the states of Maharashtra, Andhra Pradesh, Karnataka and other states of India. The study found that in spite of abundant natural resources, the pace of industrial and entrepreneurial development is slow due to untapped entrepreneurial talents in the Country. The study suggested that timely action by government and other agencies can accelerate the process of entrepreneurship development in India.
3. Sree Ramulu (1999)³ in his doctoral work surveyed 500 small scale industrial entrepreneurs in Rayalaseema Region of Andhra Pradesh. He attempted to examine facilitating. Motivating and discouraging factors in starting the units by the sample entrepreneurs and identified their problems.
4. Sree Ramulu (1994)⁴ in his work entitled, "Innovation and Entrepreneurship in the manufacturing sector – A case study of Ananthapur District" highlighted the innovation among the selected entrepreneurs, encouraging and discouraging factors to start an industry or problems encountered by the entrepreneurs in the district.

Methodology

SPSR Nellore District is purposively selected for the study because of the proximity and familiarity of the researcher. The study makes use of both the secondary and primary sources of data. The secondary data pertaining to a ten years period, from April 2003, was collected from the DIC Nellore, which includes internal records and annual reports. Besides secondary data has been collected from the journals, magazines, dissertations statistical hand book of government, publications from various institutions and also from different websites.

Sample Design

The main focuses of the motivational factors of the selected MSMEs in Nellore district. Due to the proximity and familiarity of the research, the study is confined to Nellore District only. Primary data is collected from the Micro, Small and Medium Enterprises (MSMEs) in Nellore district, by adopting stratified random sampling method. All the Micro, Small and Medium Enterprises in all three revenue Divisions of Nellore district belonging to different motivational factors and different industrial categories are listed out. There were 5130 MSMEs in the district during 2005-2006. From this population, 256 MSME units (equal to 5 per cent) were selected and out of these, 6 were closed due to their sickness. Finally 250 Micro, Small and Medium Enterprises are selected for this study covering all the three revenue Divisions, all social groups and all industrial categories.

Category-wise Motivational Factors for enterprising of Sample MSMEs

Table 1 presents the factors which motivated the entrepreneurs in setting up the enterprises. Out of 250 selected MSME entrepreneurs in Nellore district, 75 (30 per cent) entrepreneurs are motivated by to earn profits, 11 (4.40 per cent) are motivated because of absence of competition, 47 (18.80 per cent) entrepreneurs

are to do independent job, 7 (2.80 per cent) entrepreneurs are motivated due to the heavy demand of the product, 20 (8 per cent) are motivated of social status, 23 (9.20 per cent) are motivated to serve national interest, 8 (3.20 per cent) are motivated by lack of opportunities for employment, 20 (8 per cent) entrepreneurs motivated by financial credit, 34 (13.60 per cent) are motivated by Government policy and only 5 (2 per cent) are motivated by other reasons.

From the below table, it can be observed from the study that out of 47 agro based industries to be earning a maximum profit of 42.55 per cent, textile based 19.05 per cent, mineral based of 15 per cent, forest based of 27.78 per cent, paper and printing based industries of 38.46 per cent, chemical based industries 33.33 per cent, plastic and rubber based industries 19.05 per cent, building materials units 23.81 per cent, engineering based industries 26.67 per cent, electronic based 55 Per cent and miscellaneous industries are earning profits of 22.22 Per cent.

Table 2 shows the motivation factors of MSME entrepreneurs in different revenue divisions of Nellore district. Out of 250, 75 entrepreneurs are motivated to earn profit, 11 entrepreneurs are motivated by absence of competition, 47 are motivated to do independent job, 7 entrepreneurs motivated by demand for the product, 10 entrepreneurs motivated by social status, 23 entrepreneurs to serve national interest, 8 entrepreneurs due to lack of opportunities for employment, 20 entrepreneurs by financial credit, 34 entrepreneurs by Government policy and 5 entrepreneurs are motivated by others. Out of 250 entrepreneurs, 75 entrepreneurs are motivated by to earn profit, out of 75 entrepreneurs, 32 (42.67 per cent) entrepreneurs are in Nellore division, 21 (28 per cent) in Gudur division and 22 (29.33 per cent) entrepreneurs in Kavali division. The lowest number 5 entrepreneurs are motivated by others. Out of 5, 2 (40 per cent) are in Nellore and Gudur division, only 1 (20 per cent) entrepreneur is in Kavali division.

Table 3 shows the sector-wise motivation factors of MSME entrepreneurs in Nellore district. Out of 250, the highest number 75 entrepreneurs are motivated to earn profit, out of 75, 42 (56 per cent) are in micro sector, 19 (25.33 per cent) in small sector, and 14 (18.67 Per cent) in medium sector. The second highest 47 entrepreneurs are motivated to do independent job. Out of 47, 20 (42.55 per cent) are in micro, 14 (29.79 per cent) in small, and 13 (27.66 per cent) entrepreneurs in medium sector. The lowest number 5 entrepreneurs are motivated by others. Out of 5 members 3 (60 per cent) are in micro and 2 (40 per cent) in small sector. It can be concluded that nobody is motivated by others in medium sector.

Motivational Factors for Enterprising

Table 4 reveals that 75 (30.0 per cent of the total) entrepreneurs, being the lion's share of respondents, took a plunge into industrial category to satisfy their strong desire to independence job 47 (18.8 per cent), Government policy 34 (13.6 per cent), to gain social status of 20 (8.0 per cent), self employment out of 08 (3.2 per cent of the total) entrepreneurs, 23 entrepreneurs refer to serve national interest and heavy demand of the product with percentages of 2.8, Availability of financial credit with 20 (8.0 per cent) entrepreneurs, to Absence of competition of 11 (4.4 per cent) entrepreneurs and the others of only 2.0 per cent of the entrepreneurs.

Table 5 shows that the main factors which have persuaded the small and new entrepreneurial class to undertake entrepreneurial activity may be identified somewhat in hierarchical order based on their business and industrial experience. On the basis of the following chart, different motivating factors are given ranks as follows. Earning profit, to independent job and government policy of the industry are crowned 1st rank, to serve national interest, given to entrepreneurs who are willing to gain social status and availability financial credit, absence of competition awarded 2nd rank, heavy demand of the product, entrepreneurs who want to be self employed and others have been 3rd rank.

By following the diagrammatic representation of the above data, it was evident that a vast majority of new entrepreneurial class was promoted to enter industry mainly because of three factors: (1) to earning profit, (2) to do independent job, and (3) absence of competition. Factors such as gaining social status, encouragement from heavy demand of the product, Social status, to serve national interest, No opportunities for employment, availability of financial credit and Government policy played catalytic role in injecting entrepreneurial spirit to another class of people who had no inclination but came just because there was no other better opportunity for them.

Table 1: Category-wise Motivational Factors for enterprising of Sample MSMEs in Nellore District

S. No	Industrial Category	Motivational Factors										Total
		To Earn Profit	Absence of competition	To do independent job	Heavy demand of the product	Social status	No To serve national interest	opportunities for employment	Availability of financial credit	Government policy	Others	
1	Food and agro based	20 (42.55)	00 (0.00)	10 (21.28)	03 (6.38)	01 (2.13)	01 (2.13)	06 (12.77)	02 (4.26)	03 (6.38)	01 (2.13)	47 (100)
2	Textile based	04 (19.05)	00 (0.00)	01 (4.76)	00 (0.00)	00 (0.00)	02 (9.52)	00 (0.00)	00 (0.00)	14 (66.67)	00 (0.00)	21 (100)
3	Mineral based	03 (15.00)	02 (10.00)	00 (0.00)	00 (0.00)	03 (15.00)	03 (15.00)	00 (0.00)	07 (35.00)	02 (10.00)	00 (0.00)	20 (100)
4	Forest based	05 (27.78)	00 (0.00)	08 (44.44)	00 (0.00)	00 (0.00)	03 (16.67)	02 (11.11)	00 (0.00)	00 (0.00)	00 (0.00)	18 (100)
5	Paper and printing based	05 (38.46)	00 (0.00)	08 (61.54)	00 (0.00)	00 (0.00)	00 (0.00)	00 (0.00)	00 (0.00)	00 (0.00)	00 (0.00)	13 (100)
6	Chemical based	03 (33.33)	00 (0.00)	04 (44.44)	00 (0.00)	00 (0.00)	00 (0.00)	00 (0.00)	02 (22.22)	00 (0.00)	00 (0.00)	09 (100)
7	Plastic and rubber based	04 (19.05)	06 (28.57)	00 (0.00)	01 (4.76)	01 (4.76)	02 (9.52)	00 (0.00)	01 (4.76)	05 (23.81)	01 (4.76)	21 (100)
8	Building materials	10 (23.81)	01 (2.38)	04 (9.52)	01 (2.38)	09 (21.43)	06 (14.29)	00 (0.00)	04 (9.52)	05 (11.90)	02 (4.76)	42 (100)
9	Engineering based	08 (26.67)	00 (0.00)	06 (20.00)	02 ()	06 (20.00)	01 (3.33)	00 (0.00)	03 (10.00)	04 (13.33)	00 (0.00)	30 (100)
10	Electronics based	11 (55.00)	00 (0.00)	06 (30.00)	00 (0.00)	00 (0.00)	03 (15.00)	00 (0.00)	00 (0.00)	00 (0.00)	00 (0.00)	20 (100)
11	Miscellaneous units	02 (22.22)	02 (22.22)	00 (0.00)	00 (0.00)	00 (0.00)	02 (22.22)	00 (0.00)	01 (11.11)	01 (11.11)	01 (11.11)	09 (100)
Total		75 (30.00)	11 (4.40)	47 (18.80)	07 (2.80)	20 (8.00)	23 (9.20)	08 (3.20)	20 (8.00)	34 (13.60)	05 (2.00)	250 (100)

Note: Figures in parenthesis represent the percentages

Source: Field Survey

Table 2: Division-wise Motivational Factors of MSMEs in Nellore district

Motivational Factors	Nellore division	Gudur division	Kavali division	Total
To earn profit	32 (42.67)	21 (28.00)	22 (29.33)	75 (100)
Absence of competition	07 (63.64)	03 (27.27)	01 (9.09)	11 (100)
To do independent job	24 (51.06)	12 (25.53)	11 (23.40)	47 (100)
Heavy demand of the product	04 (57.14)	03 (42.86)	00 (0.00)	07 (100)
Social status	11 (55.00)	05 (25.00)	04 (20.00)	20 (100)
To serve national interest	12 (52.17)	05 (21.74)	06 (26.09)	23 (100)
No opportunities for employment	03 (37.50)	02 (25.00)	03 (37.50)	08 (100)
Availability of financial credit	07 (35.00)	05 (25.00)	08 (40.00)	20 (100)
Government policy	15 (44.12)	10 (29.41)	09 (26.47)	34 (100)
Others	02 (40.00)	02 (40.00)	01 (20.00)	05 (100)
Total	117 (46.80)	68 (27.20)	65 (26.00)	250 (100)

Note: Figures in parenthesis represent the percentages

Source: Field Survey

Table 3: Sector-wise Motivational Factors of MSME Entrepreneurs in Nellore district

Motivational Factors	Micro	Small	Medium	Total
To earn profit	42 (56.00)	19 (25.33)	14 (18.67)	75 (100)
Absence of competition	04 (36.36)	03 (27.27)	04 (36.36)	11 (100)
To do independent job	20 (42.55)	14 (29.79)	13 (27.66)	47 (100)
Heavy demand of the product	02 (28.57)	01 (14.29)	04 (57.14)	07 (100)
Social status	09 (45.00)	08 (40.00)	03 (15.00)	20 (100)
To serve national interest	10 (43.48)	08 (34.78)	05 (21.74)	23 (100)
No opportunities for employment	04 (50.00)	03 (37.50)	01 (12.50)	08 (100)
Availability of financial credit	11 (55.00)	07 (35.00)	02 (10.00)	20 (100)
Government policy	18 (52.94)	13 (38.24)	03 (8.82)	34 (100)
Others	03 (60.00)	02 (40.00)	00 (0.00)	05 (100)
Total	123 (49.20)	78 (31.20)	49 (19.60)	250 (100)

Note: Figures in parenthesis represent the percentages

Source: Field Survey.

Table 4: Motivational Factors for Enterprising of Sample MSME in the District

S. No	Motivational Factors	Factors (Total enterprises)	% to total
1	To earn profit	75	30.0
2	Absence of competition	11	4.4
3	To do independent job	47	18.8
4	Heavy demand of the product	07	2.8
5	Social status	20	8.0
6	To serve national interest	23	9.2
7	No opportunities for employment	08	3.2
8	Availability of financial credit	20	8.0
9	Government policy	34	13.6
10	Others	05	2.0
Total		250	100.00

Source: Field survey

Ranking of Factors (Major Three) by Entrepreneurs that Motivated for Industrial Entrepreneurship among MSMEs in the District

Table 5

Rank	Motivational Factors									
	1	2	3	4	5	6	7	8	9	10
I	20	3	16	4	9	10	3	8	13	3
II	30	4	16	1	7	5	2	8	10	1
III	25	4	15	2	4	8	3	4	11	1
	I	VI	II	VII	V	IV	VI	V	III	VIII

Source: The data for ranking the factors extracted from table 4.32

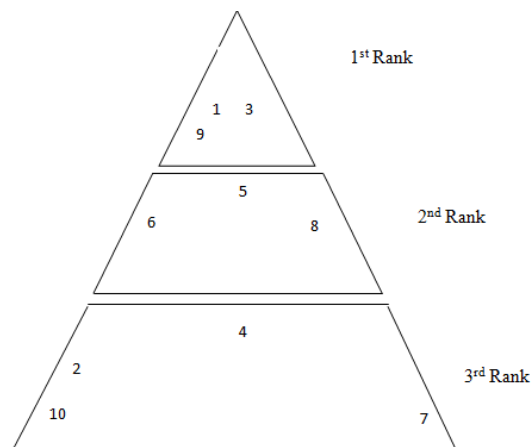


Fig: Hierarchy of Motivational Factors for Entrepreneurial Orientations

Order of factors influencing

1. To earn profit
2. Absence of competition
3. To do independent job
4. Heavy demand of the product
5. Social status
6. To serve national interest
7. No opportunities for employment
8. Availability of financial credit
9. Government policy
10. Others

Conclusion

I conclude that the paper it is well known that the socio-economic factors like social status, age, marital status, education starting before the enterprise, occupation of the family members, initiatives to start the industry, future plan of the entrepreneurs, reason for selecting the location and the important aspect of motivational factors are influencing the entrepreneurs' development everywhere. The analysis of the impact of socio-economic factors on entrepreneurship development in the district reveals that the growth of entrepreneurship has more or less been influenced by the factors like previous experience, strong desire to do something, independent in life and motivation by the family members.

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