

# Rural Entrepreneurship in terms of Rural Entrepreneurial Motivations

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## ARTICLE DETAILS

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## ABSTRACT

In India the rural population depend primarily on agriculture and allied activities. Growth in the agricultural sector has shown a declining trend during the last decade. This has made a huge impact on the domestic production and employment. The problems affecting agriculture sector and the plight of rural population can be tackled to a great extent by developing entrepreneurial skills in rural India. In Kerala rural enterprises sector contributes to the process of economic growth, employment generation and balanced regional development. It has the potential to emerge as a strong, vibrant and globally competitive sector in the state's economy with its excellent connectivity, communication network, and availability of highly or average skilled human resources and developing industrial infrastructure which is best suited for the growth of rural enterprises. At this juncture, the researcher tries to identify rural entrepreneurial motivations of rural enterprises. The present study was undertaken to understand rural entrepreneurship in terms of rural entrepreneurial motivations. The analysis and interpretation of the data collected from 270 rural enterprises brought out fruitful findings relating to rural enterprises in Ernakulam district. The analysis brought out three dominant entrepreneurial motivations of 'Enabling Environment', 'Autonomy and Intellectual Drive' and 'Social Anchoring' and a measurement model with three latent constructs of entrepreneurial motivation derived through the Exploratory Factor Analysis procedure was validated through Confirmatory factor analysis (CFA).

## 1. Introduction

Census of India 2011, (Registrar General & Census Commissioner, 2011) states that out of 121 crores of Indians, 83.3 crores (69%) of the population live in rural areas. The rural population depend primarily on agriculture and allied activities. Growth in the agricultural sector has shown a declining trend during the last decade (Government of India, 2016). This has made a huge impact on the domestic production and employment. The problems affecting agriculture sector and the plight of rural population can be tackled to a great extent by developing entrepreneurial skills in rural India. Rural enterprises have been regarded as the engine of economic growth and development all over the world today. In India, rural enterprises include micro, small and medium enterprises which constitute nearly 90 percent of the total enterprises.

In Kerala rural enterprises sector contributes to the process of economic growth, employment generation and balanced regional development. It has the potential to emerge as a strong, vibrant and globally competitive sector in the state's economy with its excellent connectivity, communication network, and availability skilled human resources and developing industrial infrastructure which is best suited for the growth of rural enterprises (Venkateswaralu, & Ravindra 2015). At this juncture, the researcher tries to identify rural entrepreneurial motivations of rural enterprises.

### 1.1. Significance of the study

Rural enterprises assume a significant role in the context of Kerala where there is a chronic unemployment among the educated youth, especially in the rural areas. Rural enterprises are a viable solution to this problem. The study provides insights to the rural entrepreneurs regarding various entrepreneurial motivations and the Government, being the major promoter of rural enterprises would like to know various

motivational factors, so as to design appropriate measures, either by way of creating or by enriching the existing one, will benefit from the findings of the study.

### 1.2. Statement of the problem

Even though there is a bright prospect for rural enterprises in the district in the context of globalization and increased government support, a good number of such rural entrepreneurs withdraw from entrepreneurship owing to a myriad of reasons. However, there are many instances of successful rural entrepreneurs who perform well amidst the difficulties around them. In this context, the researcher wants to explore rural entrepreneurial motivations which may provide fresh insights into the functioning of rural enterprises in Kerala in general and Ernakulam district in particular.

### 1.3. Objectives of the study

The objectives of the study are:

1. To identify entrepreneurial motivations behind the setting up of rural enterprises.
2. To develop a Measurement Model for Rural Entrepreneurial Motivation.

### 1.4. Methodology

The study uses both secondary as well as primary data sources. The secondary data have been collected from the official publications, journals, books and official websites. The primary data have been collected from 270 respondents. A structured interview schedule was used to collect required data from the rural entrepreneurs in Ernakulam district. The entire rural enterprises in the district constitute the population of the study. Stratified random sampling method was used for the study. The theoretical scope of the study covers rural entrepreneurial motivations and the geographical scope of the

study is limited to Ernakulam district and the concept of rural enterprises in the study covers only micro enterprises established in rural areas.

## 2. Review of Literature

Motivation is defined, "as an inner state that energizes, activates, or moves, and that directs or channels behaviors towards goals (Berleson, 1964). Entrepreneurial motivation is the process which activates and motivates an entrepreneur to exert higher level of efforts for the achievement of entrepreneurial goals. The reviews under the head entrepreneurial motivations, in different perspective are discussed as follows:

Ute Stephan (2015) describes entrepreneurial motivation on multiple dimensions such as the typologies which exist to describe entrepreneurial motivation. This influences and shapes entrepreneurial motivation and what consequences have different entrepreneurial motivations for entrepreneurial performance and identified seven dimensions capturing entrepreneurial motivation like achievement, challenge and learning, independence and autonomy, income security and financial success, recognition and status, family and roles, dissatisfaction, community and social motivations. Solesvik (2013) explores the difference in entrepreneurial intentions, perceived entrepreneurial motivation, and cognitive profiles between individuals who have participated in enterprise education programmes and those who have not, and states that individuals who participate in enterprise programmes tend to have a higher entrepreneurial motivation and are more likely to become entrepreneurs. Serazul (2012) explores the reason behind entrepreneurial motivations and identified that money making for family, self-employment, personal knowledge and previous experience, gaining higher social status, family business, less complexity and more profitability nature of business act as the pull factors of motivation and a lack of higher education, unemployment, dissatisfaction with previous occupation and family pressure as the push factors behind entrepreneurial motivation. Scott Shane, Edwin A. Locke, Christopher J. Collins (2003) believe that the development of entrepreneurship theory requires consideration of the motivations of people making entrepreneurial decisions and identifies several human motivations that influences the entrepreneurial process such ability, intelligence, skills, availability of capital, actions of competitors, and government regulations. Robert, Sammi Kin, Mei Lao (2007) an examination on the relative influence of psychological variables and the external environment; shows that psychological characteristics have a stronger influence for potential entrepreneurs and the business environment is stronger for successful entrepreneurs. He identifies that achievement striving, social networking, optimism and perceived importance of a favorable business environment are the major psychological variables which have an influence on potential entrepreneurs. Peter van der Zwan (2016) analyse the difference between the motivation by opportunity and necessity in terms of their socioeconomic characteristics, personality, and perceptions of entrepreneurial support. Results reveal that the two groups of business owners have a very different profile, dimensions and probability of being an opportunity versus necessity business owner is higher

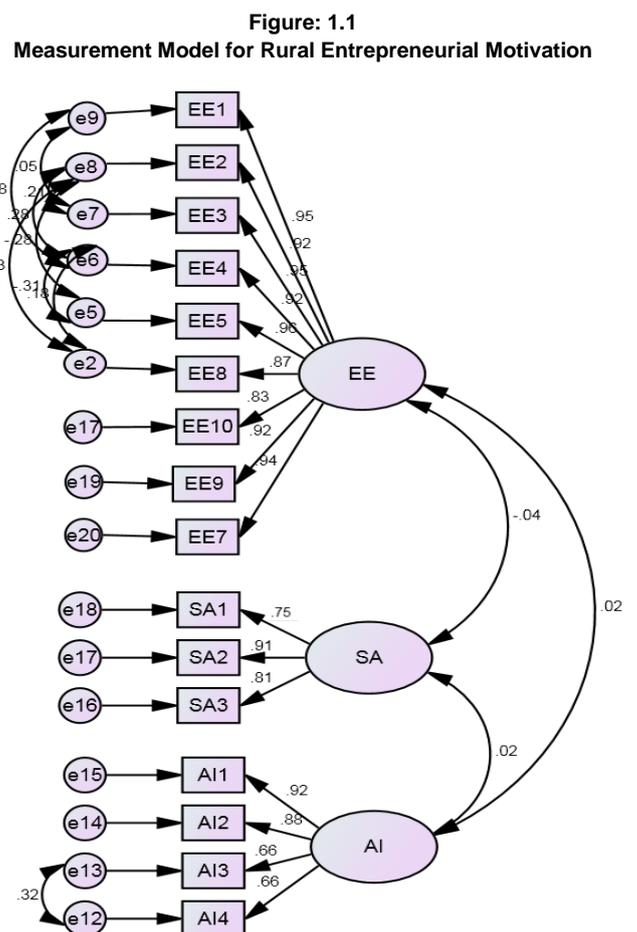
for male, younger, wealthier, proactive, and optimistic business owners.

## 3. Rural entrepreneurial motivation

The Rural entrepreneurial motivation is the process that activates and motivates the rural entrepreneur to exert higher level of efforts for the achievement of his/her rural entrepreneurial goals. The review of literature brought out 21 variables that can be considered as potential motivators of rural entrepreneurship. In order to reduce the number of dimensions so as to make better interpretation, the collected data relating to motivators were analysed using Exploratory Factor Analysis (EFA) procedure and was then validated through Confirmatory Factor Analysis (CFA). The EFA procedure brought out three factors that explain 89 percent of variation using the method Principal Component Analysis with varimax rotation. These factors are labelled as 'Enabling Environment', 'Autonomy and Intellectual Drive' and 'Social Anchoring'.

### 3.1 Measurement Model for Rural Entrepreneurial Motivation

The measurement model with three latent constructs of entrepreneurial motivation derived through the Exploratory Factor Analysis procedure was validated through Confirmatory factor analysis (CFA). The measurement model shall achieve the acceptable level of Unidimensionality, Validity and Reliability of latent constructs which can be accessed through CFA.



**Table 1.1**  
**Measurement Model for Rural entrepreneurial motivations**  
**-The result of CFA**

Constructs	Items	Factor Loadings	Composite Reliability (Acceptable level ) ( > . 6)	AVE Acceptable level) ( > . 5)
EE	EE1	.950	.975	.876
	EE2	.921		
	EE3	.953		
	EE4	.922		
	EE5	.960		
	EE6	Deleted		
	EE7	.941		
	EE8	.872		
	EE9	.942		
	EE10	.920		
AI	AI1	.920	.859	.561
	AI2	.881		
	AI3	.661		
	AI4	.660		
	AI5	Deleted		
	AI6	Deleted		
SA	SA1	.750	.661	.552
	SA2	.910		
	SA3	.810		

Source: Field survey

N = 270

Table 1.1 shows the Factor Loadings, Composite Reliability and AVE (Average Variance Extracted) values of the measurement Model for rural entrepreneurial motivation. All the measurement items have sufficient factor loadings indicating Unidimensionality of the model. The convergent validity of the model was established as the AVE of each latent construct is above the acceptable limit of 0.5. Besides, Composite Reliability is also achieved as the CR values exceed the acceptable level of 0.60 for all the latent constructs in the model.

The construct validity of the measurement model was achieved when all fit indices exceed the required level as discussed earlier. Table 1.2 shows that all fit indexes of the model was above the acceptable limits.

**Table 1.2**  
**Measurement Model for Rural entrepreneurial motivation**  
**-Goodness of fit indices**

Fit Indices	Values	Acceptable Level
$\chi^2(d/f)$	143.2/(65)	< 3.0
GFI	.932	>0.9
AGFI	.890	>0.8
CFI	.978	>0.9
RMSEA	.067	0.05 - 0.08

Table 1.2 shows the fit indices of the measurement model. The reported fit indices of GFI are 0.932, AGFI is 0.890, CFI is 0.978 and RMSEA is 0.064, all beyond the acceptable limits, indicating construct validity.

The discriminant validity for the measurement model for rural entrepreneurial motivation with three constructs using Fornell (1981) criterion is reported in Table 1.3. The diagonal values are the square root of AVE of the constructs while other values are the correlation between the respective constructs.

The discriminant validity is achieved when a diagonal value is higher than the values in its row and column.

**Table 1.3**  
**Measurement Model for Rural entrepreneurial Motivation**  
**-Discriminant Validity**

Constructs	EE	AI	SA
EE	0.940		
AI	0.001	0.749	
SA	0.020	0.033	0.743

Table 1.3 shows that diagonal values are more than their corresponding row and column values indicating discriminant validity. The validated measurement model for rural entrepreneurial motivation can be adopted for further analysis including testing of hypothesis and structural model.

#### 4. Conclusion

Rural development is more than ever before linked to entrepreneurship. Institutions and individuals seem to agree on the urgent need to promote rural enterprises. Rural enterprises are considered to be an engine of growth especially a country like India due to their contribution to the gross domestic product. The present study is intended to examine rural entrepreneurship in terms of rural entrepreneurial motivations in Ernakulam district. A structured interview schedule is used to collect required data from the rural micro entrepreneurs in Ernakulam district. The data was collected from 270 respondents and were analyzed using Factor Analysis and Structural Equation Modeling with SPSS and AMOS software. The Exploratory Factor Analysis procedure brought out three dominant rural entrepreneurial motivations which were validated through Confirmatory factor analysis (CFA). The measurement model achieved the acceptable level of Unidimensionality, Validity and Reliability of latent constructs.

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