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IDENTIFYING MOTIVATIONAL FACTORS RESPONSIBLE FOR ESTABLISHMENT OF MSME: A CASE STUDY OF UDALGURI DISTRICT, BTR, ASSAM

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Abstract

This paper is an attempt to explore the factors responsible for establishment of MSMEs in Udalguri district, located in the Bodoland Territorial Region (BTR) of Assam, India. The study is primarily based on primary data collected through questionnaires based on information gathered from MSMEs owners registered under DICC for the year 2010 to 2019. The analysis is carried out with help tools like Likert scale, Chi-square, percentage method and Garret score. The study reveals that the majority of MSMEs in the region are micro-enterprises, with a significant presence of small-scale enterprises. Male entrepreneurs dominate the sector, but there is noteworthy participation from female entrepreneurs. The main motivations for entering the MSME sector are identified as self-employment, personal passion, and the potential for additional income. The research employs the Garrett ranking technique to ascertain the most influential factors driving entrepreneurs to establish MSMEs. Self-employment emerges as the most significant motivator, followed by personal passion and additional income opportunities. This study not only sheds light on the diverse landscape of MSMEs in Udalguri district but also underscores the pivotal role these enterprises play in job creation and economic development. The findings underscore the paramount importance of comprehending entrepreneurial motivations to devise policies that nurture the growth and sustainability of MSMEs in this region.

Keywords: MSME, BTR region, Garret score, Entrepreneurs, Motivators.

Introduction

Small and micro-sized businesses are critical to employment development and income generating. They are especially efficient contributors to the national economy since they provide job possibilities to those with lower incomes. These small-scale enterprises not only foster entrepreneurship but also serve as a catalyst for low income per capita, poverty, and un-employment (Hassan & Ahmad, 2016). The SME sector is quickly growing and has become a focus of both rural and urban areas' future development, with significant policy implications (Kumar & Shobhana, 2022). Small and medium-sized companies (SMEs) are very important for global economic growth. They act as a catalyst for a variety of good outcomes, such as the effective utilising local resources, creating jobs, advancing rural development, encouraging entrepreneurship, and utilising local savings. Furthermore, SMEs build critical links with bigger industries, helping to more balanced regional development by more equally dispersing capital. Aside from these advantages, SMEs provide a road to self-employment, allowing individuals to become entrepreneurs themselves. Furthermore, they serve as an important platform for training and up skilling managers and semi-skilled personnel, resulting in a trained and adaptive workforce. (Taiwo et al., 2013). Both developed and emerging economies rely heavily on the dynamism, creativity, and risk-taking abilities of SMEs to initiate and sustain the process of economic growth.

Literature Review

Fowowe (2017) investigates the effects of access to credit on company growth in African nations. According to the study, access to financial restrictions significantly hinders corporate growth, and organisations that are not credit-constrained expand at a higher pace than those whose financial capacity is limited. The performance of SMEs is improved by access to money and expertise, according to Turyakira et al. (2019) if they have access to financing that is distinguished by favourable terms and conditions, as well as loans that are available and simple to obtain, they will be able to acquire all of the facilities they require to improve their business performance. Hagos et al. (2014) study reveals that the rise of MSEs was favourably and considerably influenced by loans, infrastructure, and market access. Wijewardena & Cooray (1996) findings reveal that respondents identified high-quality products, a good relationship with customers, and skilled workers as the most important factors contributing to their growth. Efficiency of managers, owner Knowledge and experience, positive labour relations, competitive product pricing, methodical future planning, and active ownership engagement in management are additional major determinants of their ranking. According to Kuzilwa (2005) results, businesses whose owners got business training and expansion assistance outperformed those whose owners did not. The study also demonstrates that

many of the issues faced by entrepreneurs have less to do with finance than they do with institutional and macroeconomic limitations. Poor infrastructure assistance and fierce rivalry among micro- and small-scale manufacturers are said to be commercial hurdles.

Objectives

To identify and understand the key motivational factors that drive entrepreneurs to establish and grow MSMEs in Udalguri district of BTR, Assam.

Hypotheisis

HO_1 - Unit Type and Gender: There is no statistically significant association between the type of MSME unit and the gender of entrepreneurs.

HO_2 - Unit Type and Age Group: There is no statistically significant association between the type of MSME unit and the age group of entrepreneurs.

HO_3 - Unit Type and Education Level: There is no statistically significant association between the type of MSME unit and the level of education of entrepreneurs.

HO_4 - Investment and Annual Turnover: There is no statistically significant association between the investment in plant and machinery and the annual turnover of your MSME.

Methodology

This research study investigates the motivational factors which are responsible for establishment of MSME in Udalguri district of BTR region of Assam. The required data was gathered using a structured questionnaire schedule, meticulously designed to capture the necessary information. To assess the respondents' perceptions, a five (5) - point Likert scale was use. The Likert scales vary from 1 (Strongly Disagree) to 5 (Strongly Agree). This scale allowed respondents to express the degree to which they agreed or disagreed with statements related to the study's variables. The collected data was examined using statistical and econometric techniques. The information was gathered from MSMEs owners registered under DICC in the Udalguri district. We utilised simple random sampling technique. SPSS software was used for data processing and analysis. The coding, tabulation, and computation of descriptive statistics were performed using SPSS.

To test the research hypotheses, the Chi-square test was employed. The Chi-square test was chosen as an appropriate statistical test to examine the associations between categorical variables, such as unit type and gender of entrepreneurs, unit type and age group of entrepreneurs, and other relevant variables. This test allowed for the assessment of the significance of this association.

Sampreshan
UGC CARE GROUP 1
https://sampreshan.info/
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Vol. 16, Issue No. 3, September 2023

Results and Discussion

The majority of the surveyed MSME units are micro (93%) and small (7%). Male consist of (62%) and female (38%). The number of entrepreneurs (35%) is from 21-30 years old and (47%) of respondents are from 31- 40 years old and (18%) are from 41- 50 years of old. (25%) of respondents education level is below high school, (19%) are Intermediate and (56%) have completed their graduate.

Table 1: Descriptive analysis

SL No	Category	Variables	Frequency	Percentage	Cumulative Percentage
1	MSME Units	Micro	93	93.00%	93.00%
		Small	7	7.00%	100.00%
2	Gender	Male	62	62.00%	62.00%
		Female	38	38.00%	100.00%
3	Age	21-30	35	35%	35%
		31-40	47	47%	82%
		41-50	18	18%	100%
4	Educational Level	Below High school	25	25.00%	25.00%
		Intermediate	19	19.00%	44.00%
		Graduate	56	56.00%	100.00%
5	Investment in Plant & Machinery	Below 25 lakh	77	77.00%	77.00%
		50 – 1 crore	21	21.00%	98.00%
		1 – 5 crore	2	2.00%	2.00%
6	Annual turnover of MSME	Below 1 crore	68	68.00%	68.00%
		1 - 2 crore	32	32.00%	100.00%
7	Number of workers	Less than 50	90	90%	90%
		More than 50	10	10%	100%
8	legal structure of Business	Sole proprietorship	76	76.00%	76.00%
		Partnership	24	24.00%	100.00%
9	Length of Business	1-3 years	40	40.00%	40%
		3-5 years	25	25.00%	65.00%
		above 5 years	35	35.00%	100.00%

Source: Field survey

Sampreshan
UGC CARE GROUP 1
https://sampreshan.info/
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About (77%) business investment is below 25 lakhs, (21%) is in between 50 lakh to 1 crore and (2%) is in between 1 crore to 5 crore. (68%) have annual turnover below 1 crore and (32%) have annual turnover between 1 crore to 2 crore. (90%) of MSME have workers less than 50 and (10%) have workers more than 50. Of respondents, (76%) percent of businesses are sole proprietorship, and (24%) of businesses were partnership. Among the surveyed MSMEs (40%) are operating from 1 to 3 years, (25%) are operating in between 3 to 5 years and (35%) are more than 5 years.

Garrett Score for the Motivators for the Commencement of Industry

The Garret ranking technique is used to identify the component that has the greatest influence on the answer. This novel method entailed asking respondents to rate each of the factors being taken into account. The following rankings were converted into numerical scores using the following formula:

Position as a percentage: 100 (Rij - 0.5) / Nj

Here, Rij signifies the rank bestowed upon the ith variable by the jth respondent, while Nj stands for the total number of variables ranked by that very respondent. This ingenious approach ensured that each rank's percentage position was meticulously computed and then translated into scores, guided by the revered Henry Garret's table. The amalgamated scores attributed to individual respondents for each component were then meticulously aggregated and divided by the total number of respondents pertaining to that specific factor. This meticulous process yielded mean scores for all the factors, which were subsequently meticulously arranged according to their respective ranks. These arrangements provided invaluable insights and served as the foundation for our analytical inferences.

Table 2: Motivational Factors

SL	Variable	1st	2nd	3rd	4th	5th	6th	7th	8th
1	Self-Employment	53	17	5	8	4	7	4	2
2	Traditional business	11	2	9	34	18	3	8	15
3	Family support	8	5	3	21	15	27	13	8
4	Personal interest	3	2	49	17	3	14	11	1
5	Additional Income	13	37	23	2	5	17	2	1
6	Opportunity in market	9	9	2	2	19	7	27	25
7	Personal passion	2	22	7	10	19	2	33	5
8	Other, please specify	1	6	2	6	17	23	2	43

Source: Field survey

Sampreshan
UGC CARE GROUP 1
https://sampreshan.info/
ISSN: 2347-2979
Vol. 16, Issue No. 3, September 2023

Table 3: Percentile and Garret score table

Rank	Percentile position	Garret score
1	6.25	80
2	18.75	68
3	31.25	60
4	43.75	53
5	56.25	47
6	68.75	40
7	81.25	32
8	93.75	20

Table 4: Result of Garrett's ranking technique

SL	Variable	Total	Mean	Rank	Percentage
1	Self-Employment	6709	838.625	1	16.79%
2	Traditional business	4880	610	4	12.21%
3	Family support	4634	579.25	6	11.60%
4	Personal interest	5290	661.25	3	13.24%
5	Additional Income	6041	755.125	2	15.12%
6	Opportunity in market	4095	511.875	7	10.25%
7	Personal passion	4735	591.875	5	11.85%
8	Other, please specify	3569	446.125	8	8.93%

Source: Authors own calculation

Self-Employment emerged as the most influential factor, ranking first with a substantial percentage of 16.79%. This suggests that a significant portion of respondents attributed their motivation for starting businesses to the desire for self-employment. Additional Income secured the second rank with a notable percentage of 15.12%. This implies that a considerable portion of respondents aimed to generate additional income through their businesses. Personal interest claimed the third position with a percentage of 13.24%. This indicates that many respondents were driven by their additional income when venturing into business. Traditional Business ranked fourth with a percentage of 12.21%. Personal Passion was ranked fifth, representing approximately 11.85% of respondents. Family Support secured the sixth rank with a percentage of 11.60%. This indicates that support from family played a significant role in motivating some respondents to start their businesses The Opportunity in the Market ranked seventh with a percentage of 10.25%. This suggests that respondents saw business opportunities in the market as a motivating factor. The "Other, Please Specify" category ranked eight with the lowest percentage of 8.93%. This suggests that factors falling under this category had the least influence on respondents' motivations.

Sampreshan
UGC CARE GROUP 1
https://sampreshan.info/
ISSN: 2347-2979
Vol. 16, Issue No. 3, September 2023

The major variables which cause the starting up of the industries are Self-employment, Additional Income and Personal Interest. From the above Garrett table it has been seen that Self-employment and others are the high and least motivators for the commencement of the MSMEs in Udalguri district of BTR region.

Chi square test results

HO_1 **- Unit Type and Gender**: There is no statistically significant association between the type of MSME unit and the gender of entrepreneurs

Table 5: MSME Unit * Gender Crosstabulation

			Gender		Total
			Male	Female	
MSME Unit	Micro	Count	62	31	93
		Expected Count	57.7	35.3	93.0
	Small	Count	0	7	7
		Expected Count	4.3	2.7	7.0
Total		Count	62	38	100
		Expected Count	62.0	38.0	100.0

Table 6: Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	12.281[a]	1	.000		
Continuity Correction[b]	9.614	1	.002		
Likelihood Ratio	14.421	1	.000		
Fisher's Exact Test				.001	.001
N of Valid Cases	100				

a. 2 cells (50.0%) have expected count less than 5. The minimum expected count is 2.66.
b. Computed only for a 2x2 table

Since the value of chi square statistic "pearson chi – square" is 12.281 and the p-value "Asymptotic Significance (2-sided)" is (0.00) is smaller than the significance level ($\alpha = 0.05$), the result is significant and reject our null hypothesis and conclude there is association between unit type and gender of entrepreneurs.

Sampreshan
UGC CARE GROUP 1
https://sampreshan.info/
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HO_2 - Unit Type and Age Group: There is no statistically significant association between the type of MSME unit and the age group of entrepreneurs

Table 7: MSME Unit * Age Crosstabulation

			Age			Total
			21 - 30	31 - 40	41 - 50	
MSME Unit	Micro	Count	35	47	11	93
		Expected Count	32.6	43.7	16.7	93.0
	Small	Count	0	0	7	7
		Expected Count	2.5	3.3	1.3	7.0
Total		Count	35	47	18	100
		Expected Count	35.0	47.0	18.0	100.0

Table 8: Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	34.289[a]	2	.000
Likelihood Ratio	26.671	2	.000
N of Valid Cases	100		

a. 3 cells (50.0%) have expected count less than 5. The minimum expected count is 1.26.

Since the value of chi square statistic "pearson chi – square" is 34.289 and the p-value "Asymptotic Significance (2-sided)" is (0.000) is smaller than the significance level ($\alpha = 0.05$), the result is significant and reject our null hypothesis and conclude there is an association between unit type and age group of entrepreneurs.

HO_3 - Unit Type and Education Level: There is no statistically significant association between the type of MSME unit and the level of education of entrepreneurs

Table 9: MSME Unit * Education Crosstabulation

			Education			Total
			Below High School	Intermediate	Graduate	
MSME Unit	Micro	Count	25	19	49	93
		Expected Count	23.3	17.7	52.1	93.0
	Small	Count	0	0	7	7
		Expected Count	1.8	1.3	3.9	7.0
Total		Count	25	19	56	100
		Expected Count	25.0	19.0	56.0	100.0

Sampreshan
UGC CARE GROUP 1
https://sampreshan.info/
ISSN: 2347-2979
Vol. 16, Issue No. 3, September 2023

Table 10: Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	5.914[a]	2	.052
Likelihood Ratio	8.530	2	.014
N of Valid Cases	100		

a. 3 cells (50.0%) have expected count less than 5. The minimum expected count is 1.33.

Since the value of chi square statistic "pearson chi – square" is 5.914 and the p-value "Asymptotic Significance (2-sided)" is (.052) is greater than the significance level ($\alpha = 0.05$), the result is insignificant and we accept our null hypothesis and conclude there is no association between unit type and level of education of entrepreneurs.

HO_4 - Investment and Annual Turnover: There is no statistically significant association between the investment in plant and machinery and the annual turnover of your MSME.

Table 11: Annual Turn Over * Investment Crosstabulation

			Investment			Total
			Below 25 lakh	50 - 1 crore	3	
Annual Turn Over	Below 1 crore	Count	68	0	0	68
		Expected Count	52.4	14.3	1.4	68.0
	Above 1 crore	Count	9	21	2	32
		Expected Count	24.6	6.7	.6	32.0
Total		Count	77	21	2	100
		Expected Count	77.0	21.0	2.0	100.0

Table 12: Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	63.474[a]	2	.000
Likelihood Ratio	69.831	2	.000
N of Valid Cases	100		

a. 2 cells (33.3%) have expected count less than 5. The minimum expected count is .64.

Since the value of chi square statistic "pearson chi – square" is 63.474 and the p-value "Asymptotic Significance (2-sided)" is (.000) is smaller than the significance level ($\alpha = 0.05$), the result is significant and reject our null hypothesis and conclude there is association between investment range and annual turnover range of the firms.

Conclusion

In conclusion, the MSME sector in the Udalguri district of the BTR region is distinguished by a varied set of business people with a particular emphasis on micro and small firms. Despite the fact that male entrepreneurs predominate, women do contribute significantly. Self-employment, a personal interest, and the possibility of earning more money are the main causes motivating people to enter the MSME sector, while there are many more reasons as well.

The demographic profile of entrepreneurs in Udalguri district is diverse, with a mix of age groups and educational backgrounds. This diversity can contribute to the resilience and adaptability of the MSME sector in the region. The majority of MSMEs in the study were relatively small in scale, with limited investments and turnovers. However, they played a vital role in the local economy by providing employment opportunities. The study found an association between the type of MSME unit and the gender of entrepreneurs, suggesting potential gender-based differences in business preferences or opportunities. However, there were also significant associations between unit type and age group or level of education. The study demonstrated a strong association between investment levels and annual turnover, emphasizing the need for access to financial resources for business growth.

Policymakers and support groups must comprehend these demographics and motives in order to develop measures that encourage the expansion and sustainability of MSMEs in the area. This research illuminates the dynamics of this critical sector, paving the path for informed decision-making and targeted actions.

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