

Conference Paper

Identifying Motivational Factors Impacting Entrepreneurship: Evidence from an Emerging Economy

Rajshekhkar G. Javalgi¹, Silvia L. Martin², Robert B. Young³,
 Colette T. Hart⁴, and Katie A. Van Dyke⁴

¹Marketing and International Business, Monte Ahuja College of Business, Cleveland State University, Cleveland, OH 44115-2214

²Marketing, California State University, Los Angeles, CA 90032

³School of Business, Baldwin Wallace University, 275 Eastland Road Berea, OH 44017

⁴Centers for Outreach and Engagement, Monte Ahuja College of Business, Cleveland State University, Cleveland, OH 44115-2214

Corresponding Author:

Robert B. Young
 robyoung@bw.edu

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1. Introduction

The emergence and development of entrepreneurship is a growing phenomenon in today's globalized world, where nations and markets are linked economically. The growth of the global economy is inextricably connected to the rise of emerging markets, which is currently experiencing impressive economic performance, as well as entrepreneurial and cultural transformations. Entrepreneurship is strongly linked to small- and medium-sized enterprises (SMEs), which are the main driving force of both developing- and developed-market economies. In most of the developed countries, the percentage of SMEs in total number of enterprises is higher than 95 percent, while 60 percent of the available workforce is employed in those firms [1].

In emerging economies such as India and China, entrepreneurship is playing an important role in fostering culture of innovation, creativity and competitiveness. It is also becoming a key force for creating jobs and alleviating poverty. Yet, entrepreneurship in developing countries is arguably the least studied significant economic and social phenomenon in the world today. Over 400 million individuals in developing countries are owners or managers of new firms. Of these, over 200 million are found in China and India alone, compared with just 27 million entrepreneurs in the United States, according to the Global Entrepreneurship Monitor report (www.inc.com).

Understanding what motivates individuals to engage in entrepreneurship [2] is critical in the study of business creation. Excluding motivation from the study of business creation results in an incomplete theory [3], as well as in developing policies.


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Kuratko and colleagues argued that to understand the entrepreneurial process, one must understand entrepreneurs' motivation to start and sustain their ventures [4]. Carsrud and Brannback [5] argued that motivation is the link between the intention and action of entrepreneurs, and there appears to be a relationship between motivation and business success [4].

The purpose of this article is to better understand the entrepreneurial motivations of business owners in emerging markets such as India. Using India as an example, this study attempts to focus on the following two objectives: (1) to uncover underlying goals/motives that entrepreneurs seek to achieve through owning a business and (2) to identify those motivational factors that are statically significant in explaining the likelihood of owning a business in the future.

India was chosen for this study for the reasons enumerated further. India, today, currently has more than 48 million small businesses, double the number of the small companies here in the United States (23 million). According to a report by Business Today (India). Breakdowns among the top industries are: retail (except motor vehicles) 40 percent; clothing manufacturing, 8.75 percent; food and Beverage, 7 percent; services, 6.2 percent; auto (sales, maintenance, repairs), 3.6 percent; and furniture, 3.2 percent.

In India, according to the Indian government, Small and Medium Enterprises (MSME) contribute nearly 8 percent of the country's GDP, 45 percent of the manufacturing output and 40 percent of the country's total exports. Small businesses in India create 1.3 million jobs every year and provide the largest share of employment after agriculture. They play a significant role in the country's GDP.

2. What Motivates Entrepreneurs: Literature Review

Understanding what motivates individuals to engage in entrepreneurship is important in the study of business creation [2]. Excluding motivation from the study of business creation results in an incomplete theory [3]. Researchers [4, 5] contend that to understand the entrepreneurial process, one must understand entrepreneurs' motivation to start and sustain their venture. Motivating factors, which can be either internal or external to the entrepreneur, classified motivators into four categories: financial rewards (extrinsic rewards), independence/autonomy, personal growth (intrinsic rewards) and family security [2, 4]. Motivating factors can also be classified as push or pull factors. 'Push factors include the need to increase family income, dissatisfaction with a salary-based job, problems with finding an appropriate job and the need for

flexibility for family responsibilities'. Pull factors include 'the need for independence, self-actualization, increased status quo and reputation in society' [2, pp. 188–189]. 'Instincts (motives) drive behavior where the goal is to survive, to succeed, and to avoid failure', and motives have been used to address the question what causes a person to take action [5, p.11].

In their study of Kyrgyzstan entrepreneurs, Yalcin and Kapu found the desire to earn more money and the lack of appropriate job opportunities to be the key motivators [2]. Chu et al. (2007) found that among Kenyan and Ghanaian entrepreneurs, the top motivators were increasing income, creating a job for oneself, personal satisfaction and growth, and job security. Entrepreneurs in Romania are motivated by the opportunity to increase their income and to provide job security [6], and Ugandan entrepreneurs' primary motivation was to make a living/money. In their study of North, Central and South Vietnamese entrepreneurs, Swierczek and Ha found that entrepreneurs were motivated by challenge and achievement [7]. Benzing, Chu and Callanan found that the Vietnamese entrepreneurs were motivated by the desire for personal satisfaction and growth and to provide jobs for family members and the entrepreneur [6]. In Turkey, the motivation to increase income, job security, as well as personal freedom and independence were important to entrepreneurs [8]. Filipino entrepreneurs were found to be motivated by the desire to earn more money and to be independent. Although, it is clear from the literature that there appears to be some similarities in the motivation of entrepreneurs in developing economies, there are some differences as well.

3. Research Methodology

3.1. The survey

To gain a better understanding of motivations for entrepreneurship in emerging markets, this study uses India as an example. To collect the data, a non-probability sampling method (e.g., convenience sampling) was employed. In the international business field, collecting data using this approach is not uncommon. Given the nature of the topic, prospective individuals belonging to the entrepreneurial segment of the Indian society were contacted in India using social media, beginning with those participants familiar with the researchers. The researchers were professionals, and/or small business owners, who have studied in the U.S. These researchers contacted 235 people using social media and explained the nature of the study. A total of 215 agreed to

participate in the study and all have access to the Internet and are technologically savvy. Of these, 95 respondents indicated launching their business venture less than three years ago, and the remaining were non-business owners.

The data were gathered by means of a structured questionnaire. The entrepreneurial goal statements used in the survey were based on previous research. These statements required respondents to rate the relevance of each goal on a one (not at all important) to five (extremely important) point scale. In addition to the motivation items, other sections of the survey included questions on demographics and entrepreneurial activities. In this study, we use the term ‘entrepreneur’ to refer to the owner of a small business.

4. Data Analysis and Results

We analyzed the data using descriptive statistics, followed by multivariate analysis. Two multivariate statistics used were factor analysis and logistic regression. The results of the factor analysis suggested a four-factor solution (see Table 1).

TABLE 1: Factor loadings and reliabilities.

Factor 1: Extrinsic Rewards (factor loadings 0.72–0.85; scale reliability 0.73)
Acquire personal wealth
To increase my personal income
To increase my income opportunities
Factor 2: Independence/Autonomy (factor loadings 0.70–0.81; scale reliability 0.78)
Maintain my personal freedom
Personal Security
Self-employment
To be my own boss
To control my own employment destiny
Factor 3: Intrinsic Rewards (factor loadings 0.70–0.86; scale reliability 0.82)
Gain public recognition
Meet the challenge
Enjoy the excitement
Personal growth.65502
To prove that I can do it
Factor 4: Family Security (factor loadings 0.74–0.89; scale reliability 0.72)
Secure future for family members
To build a business to pass on

The four factors were interpreted as follows: the first factor relates to ‘extrinsic rewards/financial motive’, which captures the aspects of financial motives that

are extrinsic in nature. The second factor was labelled as 'independence/autonomy motive'; this dimension highlights the entrepreneurial motivation to be able to control one's work life, including control over one's own time and work, making independent decisions, having flexibility to combine work with one's personal life [9–12]. The third dimension was labelled as 'intrinsic rewards/personal growth motive', which captures a desire for personal development through entrepreneurship. It also includes aspects of self-realization including fulfilling one's personal vision [9–11]. Finally, the fourth factor was 'family security', which emphasizes the importance of family security.

4.1. Logit model to predict entrepreneurial motivations

The aforementioned dimensions were used in the logit model (see further) to better understand the significance of the factors in predicting entrepreneurial process.

$$P(\text{mode choice} = 1) = [1/(1 + e^{-Z})],$$

where $Z = \beta + \beta X_1 + \beta X_2 + \beta X_3 + \dots + \beta X_k$.

In the aforementioned model, the dependent variable used was binary (1 = who have launched business less than three years ago, otherwise coded as '0'). In addition to the four factors used as independent variables, the demographic variables such as education, age and gender were used in the analysis. The variables found very significant were: financial motives, independence/autonomy and personal growth motive. In addition, education and age were also significant.

5. Implications and Conclusions

Small business owners irrefutably remain critical to the development of any nation's economy as they are an excellent source of job creation, help in the development of local technology and develop indigenous entrepreneurs. Essentially, entrepreneurship is a result of one's motivation to achieve specific goals in life, which is supported by opportunities and other environmental factors such as the economic and cultural systems in which the individual lives. Motivation is the source of initiation of the action toward the achievement of life goals.

India's rise to global dominance is attributed to the combination of several factors, including economic reforms, changing cultural environment and burgeoning educated, youthful population. Many Indians, having attended colleges and universities, are moving up the economic ladder. In spite of the fact that starting a new business

in India is time-consuming and challenging, Indians are more motivated by personal growth, ambition, a desire for financial success and entrepreneurial freedom (starting their own business; [11]). This is an important finding for policymakers and provides evidence that more opportunities and incentives for creating businesses should be established. Indian business owners are coming from good educational backgrounds and possess a desire for growth. Developing and supporting programs to incentivize entrepreneurial activity will aid in supporting the growth of the new emerging segment of entrepreneurs.

In conclusion, this study makes some important contributions. First, it is one of the few articles that provides a better understanding of the motivations of entrepreneurs in emerging markets such as India. Second, the study shows that underlying motivations are linked to their entrepreneurial process. Finally, the study findings can be used to target this important segment of the population using demographics and underlying entrepreneurial motivations.

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