

## FACTORS INFLUENCING RURAL ENTREPRENEURS FOR MANAGING ENTERPRISE

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### Introduction

The factors influencing the respondents to manage an enterprise are economic, social, psychological and environmental. These drives are highly essential to start and / or to manage an enterprise. Even though the variables are too many, the present study confined itself to economic independence, self-prestige, employment opportunities, technical knowledge, urge to achieve, aspiration about children, financial assistance, use of idle funds, self-interest, encouragement of family members, organizational skill, self employment, revival of sick unit, social status, entrepreneurial experience, family background, traditional / hereditary, market potential, earning income, more dependents, unemployment and challenge seeking. The above said 22 variables were rated by the respondents at a five point scale namely highly important, important, moderate, not important and not at all important which has the score value of 5,4,3,2 and 1 respectively. Factor analysis identifies underlying variables or factors that explain correlations within a set of observed variables. This procedure is used in data reduction to identify a small number of factors that explain the variance observed in a much larger number of manifest variables. In this study, the factor analysis technique was used to reduce the long list of motivation variables which influence the entrepreneurs to manage or start the enterprises into meaningful factors.

### Analytical Framework

The principal factor analysis method is mathematically satisfying because it yields a mathematically unique solution to a factor problem. Its major solution feature is the extraction of a maximum amount of variation as each factor is calculated. In other words, the first extracts the most variance and so on. Most of the analysis methods produce results in a form that is difficult or impossible to interpret. Thurstone argued that it is necessary to rotate factor matrices to interpret them adequately. He pointed out that original factor matrices are arbitrary in the sense that an infinite number of reference frames (axes) can be found to reproduce any given 'R' matrix. In order to move the axes from the arbitrary location determined by the method of extraction to some position useful for interpretation of the factors for comparison with other studies, the axes are rotated. A major goal of

rotation is to obtain meaningful factors that are as consistent as possible from analysis to analysis. There are several methods available for factor analysis. But the principal factor method with Orthogonal Varimax Rotation is mostly used and widely available in factor analysis computer programmes. Further orthogonal rotations maintain the independence of factors, that is, the angles between the axes are kept at 90 degrees. One of the final outcomes of a factor analysis is called Rotated Factor Matrix, a table of co-efficient that express the ratios between the variables and the factors. The sum of the squares of the factor loadings of variables is called communalities ( $h^2$ ).

The communality of a factor is its common factor variance. The factors with factor loadings of 0.50 or greater are considered as significant factors and the factors with less than 50 per cent common variation with the rotated factor pattern are too weak to report. In the present study, the principal factor analysis method with Orthogonal Varimax Rotation was used to identify the significant set of influencing factors.

### **Results and Interpretation**

The Rotated Factor Matrix for the variables relating to factors influencing the respondents to start and / or manage the tiny sector industries included in the study is given in Table 1.

Table 1 gives the loading received by the factors under  $F_1$ ,  $F_2$ ,  $F_3$ , and  $F_4$  for tiny enterprises.

Table 1: Factors Influencing the Respondents to Manage Enterprise

Sl. No.	Motivation Variables	Rotated Factor Loading				h <sup>2</sup>
		F1	F2	F3	F4	
1.	Economic independence	0.8122	0.3122	0.2592	-0.1994	0.8586
2.	Prestige	0.7612	0.2712	-0.0811	-0.2011	0.6999
3.	Employment opportunities	0.7516	0.0814	0.2114	0.2412	0.6744
4.	Technical knowledge	0.6327	0.3042	0.3627	0.2311	0.6778
5.	Urge to achieve	0.5916	0.3841	0.3211	0.2012	0.6411
6.	Aspiration about children	0.5572	0.3142	-0.3214	0.2514	0.5757
7.	Financial assistance	0.5312	0.3014	-0.1601	0.2881	0.6922
8.	Use of idle funds	0.5011	0.3912	0.2198	-0.3112	0.5493
9.	Self interest	-0.2411	0.7211	0.2892	0.3421	0.7788
10.	Encouragement of family members	0.0711	0.7016	0.2712	0.2314	0.6244
11.	Organizational skill	-0.2311	0.6127	0.1041	-0.3415	0.5563
12.	Self employment	0.0711	0.5912	0.1712	0.2814	0.5957
13.	Revival of sick unit	-0.7236	0.5327	-0.2141	0.3712	0.5921
14.	Social status	0.3314	-0.2436	0.6512	0.3062	0.6870
15.	Entrepreneurial experience	0.0521	0.3112	0.6012	-0.0912	0.5302
16.	Family background	0.1563	0.4714	0.5172	-0.3114	0.6060
17.	Traditional / Hereditary	-0.2018	0.4136	0.5098	0.3121	0.5691
18.	Market potential	0.1311	-0.3012	0.1214	0.6012	0.4841
19.	Earning income	0.2431	-0.2016	0.4211	0.5912	0.6033
20.	More dependents	0.3714	-0.3012	-0.2321	0.5411	0.5753
21.	Unemployment	-0.2911	0.4121	0.3078	0.5136	0.6131
22.	Challenge seeking	0.3211	0.4012	-0.2912	0.5012	0.6001
	Eigen Value	4.7112	3.9421	2.4321	1.9912	

Note: The principal factors method with Orthogonal Varimax Rotation is used to extract factors.

The twenty two variables included in the factor analysis resulted in four important factors that influence the respondents to start and / or manage any enterprise. They are; (i) achievement and support factor, (ii) interest factor (iii) traditional status factor and (iv) economic necessity factor. The achievement and support factor includes the variables, namely economic independence, self-prestige, employment opportunities, technical knowledge, urge to achieve, aspiration about children, financial assistance and use of idle funds. All these factors have higher factor loadings. The factors namely self interest,

encouragement of family members, organization skill, self employment and revival of sick unit are grouped in the interest factor because of their higher factor loading.

The traditional status factor includes the variables, namely social status, entrepreneurial experience, family background, traditional / hereditary and market potential whereas the economic necessity factor includes market potential, earning income, more dependents, unemployment and challenge seeking.

The communality value indicates the power of a variable to explain the factors altogether. The higher communality represents the degree of variable explaining the factors are higher. By communality values, the important variables which influence the respondents to start and / or manage any enterprise are economic independence, self interest and self prestige since their communality values are 0.8386, 0.7788 and 0.6999 respectively.

The Eigen value of the factor indicates the degree of the factor which explains the variables altogether. The higher Eigen value shows the higher intensity of the factor explaining the variables altogether. By Eigen values, the most important factors that influence the respondents to start and / or manage any enterprise are achievement and support factor and interest factor since their Eigen values are 4.7112 and 3.9421 respectively.

### Conclusion

The Rotated Factor Matrix technique was used to reduce the long list of motivation variables into four meaningful factors namely i) achievement and support factor ii) interest factor iii) traditional status factor and iv) economic necessity factor. The important variables which influence the respondent to start and / or to manage an enterprise are economic independence, self interest and self prestige since its communality values are 0.8386, 0.7788 and 0.6999 respectively. The most important factors that influence the respondents to start or manage an enterprise are the achievement and support factor and the interest factor since their Eigen values are 4.7112 and 3.9421 respectively.

### References

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