

**RURAL ENTREPRENEURSHIP – AN ANALYTICAL STUDY ON
FACTORS INFLUENCING THE PERFORMANCE OF RURAL
MICRO, SMALL AND MEDIUM MANUFACTURING ENTERPRISES**

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Chapter VII

Summary of Findings, Suggestions and Conclusion

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SUMMARY OF FINDINGS, SUGGESSTIONS AND CONCLUSION

The Micro, Small and Medium manufacturing enterprises play an imperative role in the rural economy. They have a major share of contribution towards Gross Domestic Product (GDP) through 45 per cent manufacturing output, 40 per cent exports and 69 per cent employment. Apart from economic aspects, the social role of these rural Micro, Small and Medium manufacturing enterprises have also been quite significant for achieving the objectives such as removal of poverty, reduction in income inequality, wealth, consumption standard and regional imbalances (Uma Pujar, 2014; Dipanjan Chakmraborty and Barman, 2014). However, the survival and growth of rural Micro, Small and Medium manufacturing enterprises have greatly depended on the dynamic business environment in which it operates. Hence, the study has been intended to analyse the factors influencing the performance of rural Micro, Small and Medium manufacturing enterprises.

The study has progressed with the following objectives:

- To understand the firms' characteristics and to assess the motivational factors that inspired the entrepreneurs to incept their Micro, Small and Medium Manufacturing units in rural areas.
- To assess the internal environmental factors, external environmental factors (micro and macro environment) and to analyse the performance of rural Micro, Small and Medium manufacturing enterprises.
- To examine the extent of influence of motivational, internal and external environmental factors on firms' performance, to propose a Structural Equation Model to analyze their relationship *inter se* and to study the major problems faced by rural Micro, Small and Medium manufacturing enterprises.

To analyse the performance of rural Micro, Small and Medium manufacturing enterprises, a sample of 375 Micro, Small and Medium manufacturing enterprises located in rural blocks of Coimbatore District have been taken for the study by using Stratified random sampling technique and Census. The Primary data have been collected from rural entrepreneurs through a structured Interview Schedule. The statistical tools such as

Percentage analysis, Descriptive statistics (Mean and Standard Deviation), Friedman Rank test, ANOVA, Post-hoc analysis, t-Test, Correlation and Multiple regression analysis have been applied to analyse the primary data. A Structural Equation Model has been proposed to find the relationship *inter se* among the factors employed in the study with their effect on business performance.

7.1 FINDINGS

From the analysis conducted for the above objectives set, the following inferences have been made:

OBJECTIVE 1: To understand the firms' characteristics and to assess the motivational factors that inspired the entrepreneurs to incept their Micro, Small and Medium Manufacturing units in rural areas.

Rural Enterprise characteristics

- 39.5 per cent of the rural Micro, Small and Medium Manufacturing Enterprises have survived in business for above 13 years. The result is similar to the finding of Kristiansen, Furuholt and Wahid, 2003.
- 65.9 per cent of the rural Micro, Small and Medium Manufacturing Enterprises have been incepted and run by first generation entrepreneurs.
- Sole proprietorship form of businesses organisation (78.9 per cent) has widely been established in rural areas which is similar to the finding of Sangeetha .S and David Soundararajan .S, 2016.
- Engineering components have been the major (37.9 per cent) product of Micro, Small and Medium manufacturing enterprises in rural areas.
- 71.2 per cent of the rural entrepreneurs have invested less than Rs.25 lakhs in plant and machinery.
- 82.4 per cent of the rural entrepreneurs have used both own and borrowed funds to run their business units.
- 40.0 per cent of the rural entrepreneurs have been operating their business units with less than 5 permanent employees.

- 37.6 per cent of the rural entrepreneurs have been running their business units with less than 5 daily labourers.
- 46.7 per cent of the rural Micro, Small and Medium manufacturing enterprises have an annual turnover of less than Rs.20 lakhs.
- 39.2 per cent of the rural Micro, Small and Medium manufacturing enterprises have earned an annual profit of Rs.1 lakh-Rs.5 lakhs.
- 44.2 per cent of the rural entrepreneurs have reinvested their profits into the business for expansion and development.
- 66.9 per cent of the rural entrepreneurs are holding membership in different Industrial associations functioning in the district.

Entrepreneurial Motivation

Among the motivators, self motivation has been the dominant factor which has influenced the entrepreneurs to incept their business units in rural areas (55.8 per cent). The insufficient and volatile agricultural income from farming has stimulated the rural entrepreneurs to take up the business activity. The similar finding is reported in the study by Dipanjan Chakmraborty, 2014.

Reason for Business Selection

The Passion for entrepreneurship has been highly ranked by the respondents which evinces their interest and involvement in non-farm activity. The least priority has been given for ‘inherited businesses’. The result of Friedman Rank test reveals that, the rural entrepreneurs have varied in their order of assigning ranks for the selection of business activity.

Level of support

The rural entrepreneurs have been highly supported by their ‘Family members’ to run the business units. The result is in line with Sumathi and Selvaraj, 2015. It implies that the family members play an imperative role in enhancing their performance. The rural entrepreneurs have also opined that they are less supported by Government bodies, due to the involvement of several intermediaries (public servants) in the dissemination of scheme benefits and subsidies meant for them.

Motivational factors

The Motivational factors have been analysed in four dimensions namely, Need for Independence, Need for Achievement, Social Recognition and Financial Rewards.

Need for Independence

The rural entrepreneurs have been motivated for the statement 'To create job instead to seek' which implies that they are highly independent by self employment and by creating employment opportunities to the rural people. The similar result is reported in the study by Serazul Islam, 2012. They have also opined that they lack freedom to work approach to run their business units in a highly competitive business environment and hence, they enjoy less independence in business.

Firm characteristics Vs Need for Independence

The 'Need for Independence' mean score has varied significantly based on the Firm characteristics namely, generation, legal status, nature of business activity, permanent employees and annual turnover. The result of post hoc test reveals that, the rural entrepreneurs who run private limited companies, irrespective of business nature, having more than 20 permanent employees with an annual turnover of above Rs.60 lakhs are less independent in business due to lack of freedom to work, cumbersome and legal formalities and high risks compared to other forms of business organisation. Hence, they have a low mean perception towards independence.

In all groups of firm characteristics namely, business age, total investment in plant and machinery, sources of finance, daily labourers and annual profit, the 'Need for independence' remains the same for all rural entrepreneurs. Hence, the null hypothesis has been accepted.

Need for Achievement

With respect to need for achievement, 'Knowledge and experience' to run their business units successfully has been found to be the most important factor among the respondents. The findings are in line with Serazul Islam, 2012.

Firm characteristics Vs Need for Achievement

Among the firm characteristics, the factors namely, legal status, permanent employees, annual turnover and annual profit have varied significantly with respect to 'need for achievement'. The result of post hoc test reveals that, the rural entrepreneurs who run private limited companies irrespective of annual turnover, having more than 5 permanent employees, and who have earned an annual profit of more than Rs. 5 lakhs are 'less achieved' in business compared to other forms of business organisation. It is due to the prevalence of constraint in an operating business environment. Hence, they have a low mean perception with respect to Need for Achievement.

The motivational factor 'Need for achievement' remains the same for all rural entrepreneurs belonging to different business age, generation, nature of business, total investment in plant and machinery, source of finance and daily labourers. Hence, the null hypothesis has been accepted.

Social recognition

Rural entrepreneurs are less recognised in the society and hence, they are highly motivated 'to gain social prestige' for their potential work. It is implied that status and self-esteem according to Maslow's theory is essential for appreciation and acknowledgement for the rural entrepreneurs. The similar finding is reported in the study by Ali Yassin Sheikh Ali and Hussein Abdi Mahamud, 2013.

Firm characteristics Vs Social recognition

Social recognition mean score has not differed significantly based on firm characteristics which implies that the rural entrepreneurs have similar perception on 'Social recognition' and have not varied significantly with respect to 'Social recognition' motivation. Hence, the null hypothesis has been accepted for each of the firm characteristics variables.

Financial reward

The rural entrepreneurs have been highly motivated for the statement 'To improve my standard of living'. It implies that the insufficient and volatile income from farming has stimulated the rural entrepreneurs to improve their socio-economic condition by

making money from business activity. Besides, they have also been motivated to improve their financial security.

Firm characteristics Vs Financial reward

The 'Financial rewards' mean score has varied significantly based on the firm characteristics namely, legal status and nature of business. The result of post hoc test reveals that, the rural entrepreneurs who run sole proprietorship and partnership business have been highly rewarded because they enjoy limited liability when compared to private limited companies. Hence, they have a high mean perception for financial rewards. The respondents who run food processing units have been rewarded less in business due to its perishable nature, infrastructure bottlenecks, poor supply chain linkages etc. Hence, they have a low mean perception for financial rewards.

The rural entrepreneurs do not significantly differ in their perception on 'Financial rewards' irrespective of their business age, generation, total investment in plant and machinery, sources of finance, permanent employees, daily labourers, annual turnover and annual profit. Hence, the null hypothesis has been accepted.

Objective 2: To assess the internal environmental factors, external environmental factors and to analyse the performance of rural Micro, Small and Medium manufacturing enterprises.

Internal environmental factors

Business location

The rural entrepreneurs have given top rank to 'Birth place' for locating their business units. This is, to assist the rural people by creating employment opportunities, which in turn helps to control rural migration. The result of Friedman Rank test reveals that, the rural entrepreneurs have varied in the order of assigning ranks for business location.

Production

- Electricity consumption has been the maximum (74.7 per cent) among the rural Micro, Small and Medium manufacturing enterprises, since power is the lifeline of manufacturing enterprises.

- 51.2 per cent of the rural entrepreneurs run the business units in their own premises.
- Majority of the business units in rural areas are micro enterprises, and they employ low cost machinery for their production. They do not access new technology which are highly expensive and not affordable by them (Venkateswarlu and Ravindra, 2014). This may affect their production capacity, quality standards and competition. They have also neutrally opined that the materials can be accessed at reasonable rate.

Firm characteristics Vs Production

The Production mean score has varied significantly based on the firm characteristics namely, generation, legal status, total investment in plant and machinery and annual profit. The result of post hoc test reveals that, the rural entrepreneurs who run sole proprietorship business and private limited companies, those with an investment of less than Rs.25 lakhs and between Rs.5 crores - Rs.10 crores in plant and machinery and those who earned an annual profit of less than Rs.1 lakh and more than Rs.10 lakhs in their respective business have a high mean perception for production. It implies that they enjoy cost benefits employing cheaper labour force in rural areas which helps them to maximize their profits in the scale of their operations.

It is found that there has been no significant variation in the respondents' agreeability towards 'Production' factor when they are classified based on business age, nature of business, sources of finance, permanent employees, daily labourers and annual turnover

Finance

- 37.2 per cent of the rural entrepreneurs have received financial assistance from their families in the form of equity (Vivekanand Pandey, 2013).
- 32.0 per cent of the rural entrepreneurs have invested their own funds up to 25 per cent to run their business units.
- 36.3 per cent of the rural entrepreneurs have used borrowed funds up to 51-75 per cent to run their business units. It is due to delay payments from their customers.

- 55.2 per cent of the rural entrepreneurs have approached public sector banks for fixed asset loan.
- 42.1 per cent of the rural entrepreneurs have approached public sector banks for working capital loan.
- 75.7 per cent of the rural entrepreneurs have availed less than Rs.25lakhs as fixed capital loan from banks and financial institutions to purchase fixed assets.
- 40.8 per cent of the rural entrepreneurs have availed Rs.1 lakh– Rs.5 lakhs as working capital loan from banks and financial institutions to meet their short-term obligations and day to day expenses.
- 66.4 per cent of the rural entrepreneurs have not accessed to Government schemes and subsidies due to lack of information, delays in releasing the fund and informal payments to public officials restraining their benefits.
- The rural entrepreneurs have more dependence on ‘financial assistance’ from family, friends and relatives in the form of equity to run their business units smoothly. They sincerely opined that ‘firms’ get good banking services’.

Firm characteristics Vs Finance

Among the firm characteristics, the factors namely, total investment in plant and machinery and annual profit have varied significantly with respect to finance. The result of post hoc test reveals that, the rural entrepreneurs who have invested less than Rs.25 lakhs and Rs.5 crores-Rs.10 crores in plant and machinery and earned an annual profit of less than Rs.1 lakh have a high mean perception for finance, because most of them have received financial assistance from their family, friends and relatives with economical interest rates. It also implies that the priority distinguished for self-development and business development is high among these respondents.

Irrespective of the different business age groups, generation, legal status, nature of business, sources of finance, permanent employees, daily labourers and annual turnover, the rural entrepreneurs resort to internal source of finance to run their business activity.

Marketing

- 39.5 per cent of the rural entrepreneurs have marketed their products to different districts.
- 58.1 percent of the rural entrepreneurs have distributed their products directly to the customers.
- 38.4 per cent of the rural entrepreneurs have followed cost plus pricing policy.
- 92.5 per cent of the rural entrepreneurs have not experienced exporting due to unfamiliarity and the existence of lengthy formalities and documentation requirements.
- Out of 28 enterprises, which have involved in exporting, 50.0 per cent of the rural entrepreneurs have exported to Asia specific, because majority of the rural Micro, Small and Medium manufacturing goods namely textile (cotton, apparel) and electronic products (machinery) have mostly traded to East Asian countries.
- 60.7 per cent of the rural entrepreneurs have received 10-25 per cent of export percentage in total sales.
- The rural entrepreneurs are agreeable to customers' feedback, because customer response is imperative to improve product quality which ensures business success.

Firm characteristics Vs Marketing

The marketing mean score has varied significantly based on the firm characteristics namely, annual profit. The result of post hoc test reveals that, the rural entrepreneurs who have earned an annual profit of more than Rs.10 lakhs perceive that marketing is highly essential for the success of any business.

The rural entrepreneurs do not significantly differ in their perception on 'Marketing' factor irrespective of their firm characteristics such as business age, generation, legal status, nature of business, sources of finance, permanent employees, daily labourers, annual turnover and annual profit.

Human resources

- 46.1 per cent of the rural entrepreneurs have recruited their workforce by word of mouth.
- 63.4 per cent of the rural entrepreneurs have upgraded their employees in accessing of new technology through ‘on the job’ training method.
- 20.8 per cent of the rural entrepreneurs have paid full wages regularly followed by bonus to retain their rural workforce.
- The rural entrepreneurs have agreed with the statement ‘Cordial relationship is maintained with the labourers’. It implies that maintaining good rapport with the employees helps to expand the production and increase the performance.

Human resources

The ‘Human resource’ factor has varied significantly based on the firm characteristics namely, permanent employees. The result of post hoc test reveals that, the rural entrepreneurs who are operating their business units with permanent employees irrespective of their size have a low mean perception for human resource, because most of the people in rural areas are unskilled, who inturn have to inducted for training through different modes.

The ‘Human resource’ factor remains the same for the rural entrepreneurs belonging to different business age, generation, legal status, nature of business, total investment in plant and machinery, sources of finance, daily labourers, annual turnover and annual profit.

External Environmental Factors

Source of raw materials

‘Local market’ has been the top priority for the procurement of raw materials among the rural entrepreneurs. It is due to the absence of storage and warehouse facilities in rural areas. The rural entrepreneurs have given the least priority for external source of raw material. The result of the Friedman Rank test reveals that the rural entrepreneurs have varied in the order of assigning ranks for the sources of procuring raw materials.

Micro Environment

The rural entrepreneurs have agreed with the statement ‘There is sufficient and timely availability of raw materials’ which reveals that the availability of abundant suppliers to supply materials helps to run their business units and to maintain the production capacity smoothly.

Firm characteristics Vs Micro Environment

Among the firm characteristics, the factors namely, legal status, sources of finance, permanent employees and annual turnover have been varied significantly with respect to micro environmental factors. The results of post hoc test reveals that the rural entrepreneurs who run private limited companies, those who have an annual turnover of above Rs.60 lakhs, less than Rs.20 lakhs and between Rs.20 lakhs-Rs.40 lakhs, those working with 11-15 permanent employees and those who have used both own and borrowed funds to run their business units have a high mean perception for micro environmental factors.

It is found that the rural entrepreneurs have similar perception on ‘ Micro environmental factor’ when they are classified irrespective of their business age group, generation, nature of business, total investment in plant and machinery, daily labourers, and annual profit. Hence, the null hypothesis has been accepted.

Macro environment

The rural entrepreneurs have strongly agreed that business registration has become easy to start and run their business units. It is due to the emergence of e-portal namely, Udyog Aadhaar Memorandum (UAM). The rural entrepreneurs have disagreed with the statement ‘Government regulations and procedures are simple’. Hence, liberalization with proactive policies is essential to leverage the opportunities for the promotion of rural Micro, Small and Medium manufacturing enterprises.

Firm characteristics Vs Macro Environment

Macro environmental factor has varied significantly based on the firm characteristics namely, sources of finance. The result of post hoc test reveals that, the

rural entrepreneurs who have used only borrowed funds to run their business units have a high perception for macro environmental factors.

The rural entrepreneurs belonging to different business age groups, generation, legal status, nature of business, total investment in plant and machinery, permanent employees, daily labourers, annual turnover and annual profit have opined similarly with respect to macro environmental factors.

Business Performance

The rural entrepreneurs feel intensively that ‘Customer satisfaction’ is imperative for their sustainability in business, but they have been neutral in their opinion on ‘cost of production’ when relates to business performance.

Firm characteristics Vs Business performance

Among the firm characteristics, the factor namely, sources of finance have varied significantly with business performance. The result of post hoc test reveals that, the rural entrepreneurs who have used only borrowed funds to run their business units have a low perception for business performance which implies that the risk factor can be high for an enterprise which has raised only loans to run their business units. This result is in line with Haftom Haile Abay et al. (2014) stating that rural Micro, Small and Medium manufacturing enterprises having no access to credit are rapidly growing than those having access to credit.

The rural entrepreneurs do not significantly differ in their perception on ‘Business performance’ irrespective of their business age, generation, legal status, nature of business activity, total investment in plant and machinery, permanent employees, daily labourers, annual turnover and annual profit. Hence, the null hypothesis has been accepted.

Objective 3: To examine the level of influence of Motivational, Internal and External environmental factors on firms’ Performance, to propose a Structural Equation Model to analyze their relationship *inter se* and to study the major problems faced by rural Micro, Small and Medium manufacturing enterprises.

Relationship between Motivational factors, Internal and External Environmental Factors and Firms' Performance

Among the independent variables, the factors namely, Need for achievement, Social Recognition, Financial Rewards, Finance, Human resource and Micro Environment have a positive significant relationship with Business Performance. Similarly, the factors namely, Production and Macro Environment have an inverse significant relationship with Business Performance. The factors such as Need for Independence and Marketing have a positive relationship with Business Performance but the relationship has not been significant at 1 per cent and 5 per cent level. Hence, among all the factors considered for correlation, Micro environmental factor has the highest positive significant relationship with Business Performance.

Further, the combined effect of the independent variables have revealed that, the factors such as Micro Environment, Financial Rewards, Finance, Human resource, Production, Need for Achievement and Macro environment have a significant influence on the performance of rural Micro, Small and Medium manufacturing enterprises. Among these factors, the factors namely, Micro Environment, Financial Rewards, Finance and Human resource have a positive significant influence on the Performance and the factors namely, Production, Need for Achievement and Macro Environment have a negative significant influence on the business performance.

Structural Equation Model

The structural Equation Model has been developed to examine the effect of Micro and Macro Environmental factors (independent variables), Internal environmental and Motivational factors (mediating variables) on Business Performance (dependent variable). The following points have been observed in the construction of the model:

- Motivational factor is dependent on four dimensions namely, Need for Independence, Need for Achievement, Social Recognition and Financial Rewards.
- Internal environmental factor is dependent on four dimensions namely, Production, Finance, Marketing and Human Resource

- Micro Environment, Macro Environment and Business Performance have been considered as a single factor dimension and the model fit statistics implies that, all the measures of fit (CMIN/df, GFI, NFI, CFI and RMSEA) are within the acceptable limits. It infers that the variables load on their respective factors.
- It has been found out that, both Micro and Macro Environmental factors have a significant relationship with Firms' Performance, which reveals that Micro environment has a direct positive effect on Firms' Performance and Macro environment has a direct negative effect on Firms' Performance.
- It has also been found that, Internal environmental and Motivational factors have a direct significant positive effect on Firms' Performance.
- The direct effects of Micro Environment on Firms' Performance are high when compared to the indirect effect on Internal environmental and Motivational factors which reveals that Micro Environmental factors such as customers, suppliers, competitors, intermediaries and public have a direct positive influence on Firms' Performance. The total effects of Micro Environmental factor, Internal environmental and Motivational factors have shown a positive effect on Firms' Performance.
- Similarly, the direct negative effects of Macro Environmental factor on Internal environmental and Motivational factors are less compared to the direct negative effect on Firms' Performance. It implies that Macro environmental factors such as political, economical, legal, technological, socio-cultural and environment factors have a negative influence on the Firms' Performance (Millycent Adhiambo Ngu'ono et.al, 2014) and the impact is less when compared to the direct effect on business performance. The total effects of Macro Environmental factor have shown a moderate negative effect on Firms' Performance when it is mediated through Internal environmental and Motivational factors.

Major Functional Problems

Finance

Stringent legal formalities and cumbersome procedures to obtain loans from banks and financial institutions are the major problems faced by the rural entrepreneurs in availing the financial assistance from external sources. It reveals that the loan policies, collateral requirements, interest rate, delay in releasing the fund, transaction charges etc., have highly discouraged the rural entrepreneurs to obtain loan from banks and financial institutions. The result of Friedman rank test reveals that the rural entrepreneurs have varied in ranking the financial problems. The similar result is reported in the study by Krasniqi, 2007; Robinson, Dassie & Christy, 2004; Nishanth and Zakkariya, 2014.

Human Resource

The lack of skilled labourers is the major problem relating to rural workforce faced by the rural entrepreneurs. Though abundant workforce is available in rural areas, majority of them are unskilled. Moreover, highly skilled labours prefer to work in large scale enterprises than in micro and small enterprises due to job security and incentives provided. The result of Friedman rank test reveals that the rural entrepreneurs have varied in the order of assigning the ranks with respect to human resource problems. The result is in line with Princy saini, 2014; Kushalakshi, Raghurama, 2014; Joel Jebadurai, 2013; Krishnendu Malakar, 2017.

Production

Among the production problems, 'High Material cost' has been the major problem faced by the rural entrepreneurs, because they procure raw materials from the open market at very high prices which leads to an increase in the cost of production and impedes their business achievements. Though Government has made provisions to procure materials for these units they are not in a position to liaise with the official agencies due to illegal red tapism. The result of Friedman rank test reveals that the rural entrepreneurs have varied in ranking the production problems. The similar finding is line with Anis Ali and Firoz Husain, 2014.

Marketing

The cut throat competition from large scale and urban enterprises has been the major problem faced by the rural entrepreneurs when marketing their goods. It is due to poor infrastructure facilities, adoption of obsolete technology, lack of standardization and branding of the products. The Friedman rank test result reveals that the rural entrepreneurs are varied in the order of assigning ranks with respect to marketing problems. The similar finding is reported in the study by Kushalakshi and Raghurama, 2014; Joel Jebadurai, 2013.

7.2 SUGGESTIONS

Based on the interaction with the respondents and in the light of the major findings of the study, the following measures are suggested for the economic prosperity of a rural economy. These suggestions, if considered, will accelerate the inclusive growth and development of a rural economy.

- Though MSMEs are considered as an “Engine of Growth” of the rural economy by Indian Government, majority of the rural Micro, Small and Medium manufacturing enterprises lack recognition for their potential work. Hence, the Government and Association of Industries should recognize the rural entrepreneurs, region wise with awards by highlighting their achievements in newspapers, journals, reports etc. This will be a motivating factor for the blooming entrepreneurs to enhance their performance.
- Lack of motivation is the major impediment faced by the First generation entrepreneurs. Hence, the District Industries Centre (DIC) should organize exclusive entrepreneurial motivation camps with professional trainers for the rural entrepreneurs at Panchayat level. Successful entrepreneurs, social leaders, and acclaimed Government servants can be invited to share their experiences which would be positive reinforcements for them.
- The rural Micro, Small and Medium Manufacturing Enterprises are suffering from technological backwardness. An obsolete production technique used in the manufacturing sector is the major cause for poor competitiveness in the sector.

Hence, the Government should encourage public funded Research and Development Institutions to appoint indigenous techno-preneurs for the development of appropriate technology, which leads to substantial reduction in the cost of production, material wastage, energy consumption etc., which in turn will reduce the import of technology.

- Rural Entrepreneurs rely on friends and family for the source of equity. Securing bank loan is a tedious and time-consuming process involving lengthy formalities. The rural entrepreneurs are less aware of e-portals available to claim loans and subsidy, which is an alternative route to get financial assistance from banks. Hence, it is recommended to District Industries Centre to offer training programs through industrial associations on the accessibility of e-portals which enable the rural entrepreneurs to smooth the progress of extending assistance from external sources and to facilitate their benefits regarding submission of application to avail subsidy and tracking of the status etc., Further, it is recommended to the MSME ministry that the limits for giving loans under various categories of Micro Units Development and Refinance Agency Bank (MUDRA) may be enhanced and also be scaled up as a financial institution because the micro enterprises contribution to the country is much higher than the other enterprises.
- The rural manufactured goods have not been exported as there is much demand for the goods produced by rural Micro, Small and Medium manufacturing enterprises in International markets. Hence, it is recommended to the Government to establish an Export-Import facilitation centre in rural areas to help entrepreneurs to get an idea on Export-Import trade.
- The rural entrepreneurs purchase the raw materials in the open market at very high prices. The prohibitive material cost has weakened the viability of these production units. Hence, the raw material supplies should be made at controlled prices. Further, the Government procurement exclusive for MSME sector is a major policy instrument for strengthening the manufacturing industry and development of technological competence. It should be increased to more than the current rate of 20 per cent.

- The rural Micro, Small and Medium manufacturing enterprises are confronted by cut-throat competition from large scale industries and urban enterprises. Hence, the Government should encourage cluster approaches in a big way in the rural sector and common production-cum-marketing centers need to be set up in rural areas developed with modern infrastructural facilities. This will help them to be more competent in an International market.
- As rural enterprises are labour intensive, the lack of skilled labours has been the major human resource problem faced by the rural entrepreneurs. Hence, the Industrial training institutes' syllabi should be revamped according to the needs of industries to adopt new technology especially to operate modern Computer Numerical Control (CNC) machines. Currently, the Indian Government provides training through business incubators to increase the sustainability and an inclusive growth of MSMEs. However, such training is mainly provided in the larger metropolitan areas and need to be extended to rural areas too.
- It is recommended to the Government that, Rural Business Zones (RBZ) in line with Special Economic Zones (SEZ) can be created for the promotion of business units in rural areas.
- Rural Entrepreneurship Development Programs should be pro-active, broad based (in terms of target group) and of a continuous nature.
- The Government should also encourage setting up of Non-Governmental Organisations (NGOs) block wise, for the development of rural entrepreneurship in the country.
- Government should make adequate provision for strengthening and developing the infrastructural facilities (water, road, transportation, power supply) in the rural sector which helps to accelerate more number of industrial entrepreneurs. This will solve the problems such as poverty and unemployment in rural areas.
- To strengthen the 'Make in India' programme, the District Industries Centre (DIC) can conduct the classes on Innovation viz., value addition to the goods

manufactured by MSME entrepreneurs which will encourage them in augmenting the productivity, quality, and growth of enterprises.

- Government should come forward with suitable skill development programmes to encourage the rural women to become entrepreneurs.

7.3 CONCLUSION

The downturn of employment opportunity in primary industry has resulted in migration of rural people to urban areas in search of better employment opportunities. In this regard, the Micro, Small and Medium manufacturing enterprises act as a catalyst of socio-economic transformation by generating employment with low investment, diversifying the industrial base, reducing regional disparities through dispersal of industries into rural and backward areas. In a nutshell, the study reveals that, the rural entrepreneurs have passion towards entrepreneurship and have been self motivated to stimulate an economic activity in their native place, thereby creating employment opportunity to the rural people which helps to control rural migration. The family members play an imperative role in supporting the rural entrepreneurs in terms of financial assistance.

The study reveals that, among the firm characteristics, the factors namely, legal status and permanent employees have robustly influenced the motivational, internal and external environmental factors. Similarly, the firm characteristics namely, source of finance play a significant role in influencing the business performance of rural Micro, Small and Medium manufacturing enterprises. Therefore, the general assumption that the motivational factors, internal environmental factors, external environmental factors and business performance do not have a significant variation with rural enterprise characteristics has thus been disproved. However, the factors namely, micro environment, finance, human resource and financial rewards have positively influenced the performance and the factors namely, macro environment, production and need for achievement have negatively influenced the performance of the rural Micro, Small and Medium Manufacturing Enterprises. Hence, the general assumption that Motivational factors, Internal environmental factors, External environmental factors do not have a

significant influence on the performance of the rural Micro, Small and Medium Manufacturing Enterprises has thus been disproved.

The study has concluded that the micro environmental factors have a direct positive significant influence on the performance and the macro environmental factors have a moderate negative significant influence on the performance of the rural MSMEs when mediated through internal environmental and motivational factors. The general assumption that the Motivational factors Internal environmental factors and Business Performance do not depend on External environmental factors (Micro and Macro environment) has thus been disproved. Therefore, a favourable business environment supportive to rural Micro, Small and Medium manufacturing enterprises are likely to contribute to the effectiveness and sustainability of support programs. Thus, the study reveals the importance of rural entrepreneurship for the development of the country. The findings will be useful to the rural entrepreneurs to understand the positive and negative impact of these factors, to leverage the opportunities in the fertile ground which helps to increase in employment, to maximize their scale of operations and customer satisfaction.

7.4 SCOPE FOR FURTHER RESEARCH

The present research is limited in scope and has restricted only to rural Micro, Small and Medium Manufacturing Enterprises in Coimbatore district. The study lays the foundation for further research to be carried out in other sectors and in other dimensions.

1. A comparative study can be undertaken by considering the Manufacturing and Service sectors in MSMEs, the performance of rural-urban MSMEs and the performance of Micro, Small and Medium enterprises section-wise and block-wise.
2. The present study objectives and model can be studied to other geographical locations and cross-cultural studies can also be undertaken in MSMEs.
3. A study on Zero Defects Manufacturing in MSMEs can be examined to enlighten 'Make in India' programme.