

## *Full Length Research Paper*

# **Pull and push factors towards small entrepreneurship development in Bangladesh**

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**The study endeavored to identify the reasons why the entrepreneurs become motivated and are compelled to establish business enterprises. To the end, 400 small entrepreneurs consisting of both the male and the female traders, manufacturers, and service providers from 6 districts of Dhaka and Rajshahi divisions were interviewed personally and over telephone using an interview schedule. Descriptive statistical tools such as frequency, percentage, and rank order were used to analyze the data. The findings disclosed money making for family, self-employment, gaining higher social status, use of personal knowledge and previous experience, family business tradition, and less complexity but more profitability nature of business as the pull factors while lack of higher formal education, curse of unemployment, dissatisfaction with previous occupation, and family hardship or pressure as the push factors. The study ended with drawing a conclusion based on the findings.**

**Key words:** Bangladesh, Entrepreneurship development, Pull factors, Push factors

## **INTRODUCTION**

Entrepreneurship is defined by different scholars in different ways. While Cantillon (1755) calls entrepreneurship as risk-bearing, Schumpeter (1959) views it innovating and yet others consider it thrill-seeking. In the present study, entrepreneurship refers to the process of initiating, organizing, managing, and controlling the affairs of a business unit that combines the factors of production to supply goods and services whether the business pertains to industry, trade or services. The person who performs these functions is known as entrepreneur. The entrepreneurs, selected for the study, fall in the definitions given by Cantillon, Schumpeter, and others as they started new enterprises or restarted the existing enterprises in different ways and are running the same assuming risk of loss (for keen competition, high operating expenses, etc.). Development means the gradual growth of something so that it becomes more advanced (Oxford Advanced Learner's Dictionary, 2004). Entrepreneurship development is, therefore, the gradual growth of entrepreneur's act so that it becomes more advanced and matured for the overall development of the economy. In Bangladesh, the definition of SME is changing day by day. On 26 May 2008, the Agricultural Credit and Special Programs Department (ACSPD) of Bangladesh Bank in a circular (No.8) defined non-manufacturing small-scale enterprise

as an enterprise, which has full time employees not more than 25 or fixed assets (excluding land and building) worth of maximum Tk. 5 million, whereas for manufacturing enterprise, the range is maximum 50 employees or Tk.15 million fixed assets. All the banks and financial institutions are following this definition. In the present study, the researcher also followed the same.

In general, the factors contributing to the development of entrepreneurship, small entrepreneurship in particular can be broadly divided into 'pull' and 'push' elements (Turner 1993; Epstein 1993). Pull factors include all those reasons that emphasize entrepreneurship as positive and desirable alternative that pull the entrepreneurs to their choice. The pull or ambitious factors motivate the entrepreneurs to initiate the ventures. It is needless to say that ambitions differ among individuals on the basis of their personal characteristics. Therefore, ambitions which nourish the achievement motivation bring about economic growth and development. The ambitious factors do not always influence an individual to undertake an activity. Sometimes other factors compel or push one to take initiative to start a business. The factors which force people to start business enterprises are termed as push or compelling factors. It is very difficult to draw a dividing line between entrepreneurs' ambitions and compulsions.

What is an ambition for one entrepreneur may be a compulsion for another. The rise in unemployment rate is the result of the increasing proportion of educated individuals seeking paid work. Thus, the rising unemployment, underemployment and unstable or unsatisfactory job conditions and prospects have pushed a growing number of people into creating their own job through setting up small business. Some other factors have pulled some people into entrepreneurship nevertheless, including personal ambition, creativity, a desire for independence-to be one's own boss, self-realization and an ambition to improve the quality of working conditions, to raise economic returns, and to develop a flexibility that caters for the combination of family responsibilities with gainful employment (Buttner, 1997; Epstein, 1993; Shabbir and Gregorio, 1994; Goffee and Scase, 1983; Brush, 1990; Brush, 1992).

## REVIEW OF RELATED PREVIOUS STUDIES

At home and abroad there had been a number of empirical studies by Scholars in the various aspects of entrepreneurship development. Some of the notable works relating to the present issue are reviewed below:

Kumar (1995) carried out a study on the small-scale industries located in two industrial estates of India viz., Mairipalam estate and Antonagar estate. In the study, he examined the entrepreneurial ambitions, compelling forces, the sources of motivation, the facilitating factors, etc. It is evident from his study that the entrepreneurs had mainly the ambitions of becoming self-reliant, materializing their ideas and skills, making money, continuation of family business and gaining social prestige and power. The important reasons appeared to have compelled the small entrepreneurs were the dissatisfaction with their previous jobs, dependency situation, lack of gainful employment, etc. Encouragement of family members, friends, and relatives, experience gained in employment, etc. facilitate the emergence of entrepreneurship. Begum (1993) pointed out self-motivation and confidence, job skills and technical qualification, external motivation, government policy, and calculated incentives as motivational factors. Most of the women were engaged in business with a view to creating employment for themselves. Many went into business when their children were at least a bit grown up and had less gender related roles in their homes. The findings of their study revealed that early socialization, childhood experiences, role models, and exposure had played a big role in motivating women to start business (Chijoriga, Olomi, and Nchimbi, 2002). In their study, Ahwireng et al. (2002) observed that the young entrepreneurs were motivated to go into business by a number of factors including the need to be their own boss, the desire to make money, the desire to support their families and themselves, and the need to achieve. In

some instances people were driven to starting their own businesses by their personal circumstances such as the death of a spouse. In the group representing rural entrepreneurs there was a much stronger desire to contribute to the development of their communities. A large majority entrepreneur started and was developing their businesses from their own savings. The rest of the women got support from their spouses, parents or other close relatives in starting the business, and they reported that this support played a very significant role in the development of the business. Skills and competencies acquired prior to starting the business were cited as having played a critical role in facilitating the start-up. The study identified that creation of their own businesses and reductions of dependency on husbands' income were the main reasons for starting their businesses (ILO, 2003). In the study of Kabir (2004) internal motivating factor such as 'desire to work independently' emerged as the main motivating factor, while 'occupational experience' got the second highest preferences from the entrepreneurs. The external motivating factors comprising 'assistance from government and financial institutions' and the 'availability of technology and raw materials' acted as the less important inducing factors for adopting entrepreneurial activities irrespective of different geographical locations. Surprisingly 'educational qualification' as an internal motivating factor had little to do with their emergence as the entrepreneurs. He inferred that internal factors in all cases induced the individuals more to undertake entrepreneurial activities.

Most of the previous studies were on a particular gender or in a particular area or in a single category of business. The present study attempts to examine the pull and push factors which influenced the male and female traders, manufacturers, and service providers of different areas of Bangladesh in taking initiatives to set up their present business units.

## OBJECTIVES

The present study has two specific objectives

1. To enquire into the factors those motivated the entrepreneurs to start and run their enterprises; and
2. To examine the reasons that might have compelled the entrepreneurs to pursue entrepreneurship.

## MATERIALS AND METHODS

### Sample Design

Due to non-availability of up-to-date statistics and large number of small enterprises in Bangladesh, the multi-stage random sampling procedure was applied to keep

the enquiry within manageable but yet reliable limits: At first stage, 2 divisions (Dhaka and Rajshahi) from 6 divisions were randomly selected as primary sampling areas. At the second stage, 6 districts (Dhaka, Narayanganj, and Gazipur districts from Dhaka division and Rajshahi, Bogra, and Pabna districts from Rajshahi division) from the 33 districts of two divisions were randomly selected. In these 6 districts, the definite number of small enterprises is not readily available. So to determine the number of sample small enterprises, the formula developed by Kothari (1996) was used. According to him, if the population is large (infinite), the most conservative sample size will approximately be 384 to conduct statistical test and to draw genuine conclusion (See Annex 1). Based on this statistical convention and method and the opinion of several researchers, and considering cost, difficulty in determining actual population size and other things, 400 small enterprises instead of 384 were decided to be studied. Relatively higher educated and married male entrepreneurs, having business experience of less than 10 years, dominated the sample entrepreneurs. The majority of the entrepreneurs hailed from non-business families reflecting occupational mobility from service or agriculture to business and they started their business at young and middle age (See Annex 2). In Bangladesh, the absence of representative sample in small business research is a major impetus to data. None of the earlier Bangladeshi studies (Begum, 1993; Saleh, 1995; Kabir, 2004; and other studies) examined the representativeness of their samples. The research findings, however, were indiscriminately generalized to all small enterprises in the country. In the present study, the number of population is infinite. The extent of representativeness, therefore, can not be examined by using a chi-square goodness of fit test. However, as the nature and activities of the sample small enterprises were almost similar to those of the homogeneous small enterprises all over Bangladesh, the results found in the study could be generalized.

### Types and Sources of Data

The types of data used in the study covered both primary and secondary data. The primary data were collected from the sample small enterprises. The owners, partners, or managing directors of the sample enterprises were considered as the main sources of primary data. The sources of secondary data were the books, articles, journals, magazines, newspapers, annual reports, website, unpublished PhD theses, research reports, and other publications.

### Data Collection and Processing

With a view to collecting primary data from the sample entrepreneurs during the period from May 2009 to

December 2009, an interview schedule was prepared. The interview schedule was given final shape by (i) reviewing related literature extensively; (ii) taking opinion from research experts; and (iii) conducting pilot surveys on 30 entrepreneurs. Primary data were collected by face-to-face interview and telephone interview methods. Secondary data were amassed by desk research by using different websites and libraries as stated earlier. The collected data were verified to ensure that the respondents answered all relevant questions and that no answers were missing. The values of the variables were coded by numerical figures and the numerical coded numbers were given input for analysis of the data using personal computer.

### Data Analysis

Data were analyzed descriptively and inferentially using Statistical Package for Social Science (SPSS), version 11.5, developed by Nie et al. (1975), and MS Word. The descriptive statistics included frequencies and percentages. To examine the relative importance of influencing factors to entrepreneurship development, rank order was computed.

## RESULTS AND DISCUSSION

In order to analyze whether the sample entrepreneurs were forced to become entrepreneurs by economic and social reasons or they had gone into business for entrepreneurial qualities, the reasoning reported by the respondents were classified into two categories: (a) pull or ambitious factors; and (b) push or compelling factors. The entrepreneurs under study were asked to mention three factors that pulled them to present business units and rank these factors in the order of importance according to them. Table 1 shows the factors that pulled them into entrepreneurship. The factors marked by the entrepreneurs were rated by weighted score according three points to the factor ranked first, two points to the factor ranked second, and one point to the factor ranked third. As found in Table 1, the ambitious factor 'earning extra money for family' was ranked first (weighted score of 38.1 percent) of all the specified factors. Nearly 96 percent of the respondent entrepreneurs marked this factor as one of the three pull factors. For 187 of them, it ranked first, for 157 it was second and for the remaining 39, it ranked third. The respondents of the studies of Begum (1993:101); Kumar (1995:153); Saleh (1995:166); Mahiuddin et al. (1998:52); DeGroot (2001:4); Karim (2001:24); D'Cruz (2003:22); Goheer (2003:20); Ayaduri and Sohail (2006:29); and Makombe (2006:113) also ranked 'earning extra money for family' as the first factor to becoming entrepreneurs. The ambition of securing 'self-employment with economic freedom' was ranked

**Table 1.** Pull or Ambitious Factors Leading to Becoming Entrepreneurs

Pull or Ambitious Factors	Entrepreneur's Ranking			Weighted Score	Rating (%)	Rank
	No.1	No.2	No.3			
Earning extra money for family	187	157	39	914	38.1	1
Family business tradition	21	21	20	125	5.2	5
Gaining higher social status	15	66	150	327	13.6	3
Self-employment with economic freedom	144	79	92	682	28.5	2
Use of personal knowledge and experience	26	57	44	236	9.8	4
Less complex and more profitable	7	20	55	116	4.8	6
Total	400	400	400	2400	100.0	

Source: Field Survey

second (28.4 percent), while the third ranked factor was to gain social prestige and power. In the studies of Rani (1992:235); Murthy et al. (1992:49); Begum (1993:101); Kumar (1999:73); Huq and Moyeen (2002:223); Kabir (2004:127); and Shamim (2008:18), 'self employment with economic freedom' emerged as the main pull or ambitious factor. Ambition to 'use of personal knowledge and experience' gathered from previous profession, mostly business, and 'ambition to continue family business' were ranked fourth (9.8 percent) and fifth (5.2 percent) respectively. The use of personal knowledge and experience, in the studies of Murthy et al. (1992:55) and ILO (2003:23), was marked as the first ranked pull factor to entrepreneurship. Another factor that pulled the entrepreneurs to the present business was its less complexity and more profitability nature and it was marked by 82 entrepreneurs only and was ranked last (rating 4.8 percent). It is thus clear from the above analysis that earning more money for the family by doing business with freedom was the prime factor to undertake risky ventures and it was important in the minds of most of the entrepreneurs.

### **Push or Compelling Factors Leading to Becoming Entrepreneurs**

The sample entrepreneurs were asked to indicate the single top most important factor which compelled them to start their enterprises.

It can be seen from Table 2 that more than one-third of the sample entrepreneurs (36.7 percent), due to their dissatisfaction with earlier occupations, were compelled to undertake their present business units. In their studies, Kumar (1995:156); Kumar (1999:75); and Islam and Mamun (2000:230) also found the similar results. The next important factor that pushed them to current enterprises was the curse of unemployment (35.5 percent). Among the sample entrepreneurs, 142 were not engaged themselves in any employment. Having no public or private job they with formal training or without training started their enterprises. Begum (1993:103) and

Begum (2001:147) also identified curse of unemployment as the main push factor towards entrepreneurship. In Bangladesh, the percent of higher educated entrepreneurs is increasing day by day due to this factor. 18.2 percent entrepreneurs, the women entrepreneurs in particular, due to their husband's death or injuries or other family related reasons were compelled to start small enterprises. In his study, Goheer (2003:20) in Pakistan found this factor as the most important push factor to be entrepreneurs. In the present study, 3.3 percent entrepreneurs' educational qualifications were not enough to have gainful private or public job and were consequently, compelled to commence a business. It is interesting to note that a few entrepreneurs (6.3 percent) admitted that they were not compelled by any specific reason.

### **CONCLUSION**

The main objective of the study was to identify the factors those motivated and forced the entrepreneurs to take risky ventures. The findings of the study help to conclude that entrepreneurship development is influenced by different factors including the entrepreneurs' personal traits, socio-economic conditions, etc. The factors responsible for starting the business by the entrepreneurs differ between male and female entrepreneurs. The women entrepreneurs, due to their conservative traditional attitude, risk adverse tendency, non-cooperation of family members and supporting institutions, etc., are sometimes deterred to start business. However, the family hardship, husband's injury or death often compelled the women entrepreneurs and the strong desire to be self-reliant and to be contributor toward family pulled the women entrepreneurs starting their business. The aged male entrepreneurs because of their dissatisfaction with previous profession while the young male entrepreneurs, either because of no or low education or having no public or private job or their family members' pressure were forced to be business entrepreneurs. For entrepreneurs of all categories,

**Table 2.** Push or Compelling Factors Leading to Becoming Entrepreneurs

<i>Push or Compelling Factors</i>	<i>No. of Entrepreneurs</i>	<i>Percentage</i>
Lack of higher formal education	13	3.3
Curse of unemployment	142	35.5
Dissatisfaction with previous occupation	147	36.7
Family hardship or pressure	73	18.2
No compelling factors	25	6.3
Total	400	100.0

Note: The single top most important compelling factor indicated by the respondents is tabulated.

Source: Field Survey

helping family members through making more money was the main motivating factor. Though it is very difficult to distinguish between pull and push factors, it can, however, from the preceding findings and analysis, be concluded that entrepreneurs' psychological characteristics and socio-economic conditions played motivational role to undertake risky ventures. On the other hand, lack of gainful employment was the main compelling factor to be entrepreneurs.

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**Annex 1.**

In case of infinite population, Kothari in 1996 suggested the following formula to estimate the sample size.

$$n = \frac{z^2 \times p \times q}{e^2}$$

Where,

n= size of the sample

z= the value of the standard variate at a given confidence level and to be worked out from table showing area under normal curve.

p= sample proportion

q=1-p

e= the expected range within which estimated sample size would be.

Kothari also suggested the value of p to be .5 for the most conservative sample size. A confidence level 95% has been selected that the estimated sample size would be within 5% of the conservative sample size.

$$\text{Thus, } n = \frac{(1.96)^2 \times 0.5 \times (1 - 0.5)}{(0.05)^2} = 384$$

**Annex 2.**

<b>Profiles of the Sample Entrepreneurs</b>	<b>No. of Entrepreneurs</b>	<b>Percentage</b>
<i>Age of Entrepreneurs at Commencement in Years</i>		
Up to 30	202	50.5
31 to 40	117	29.3
41 and above	81	20.2
Total	400	100.0
<i>Sex of Entrepreneurs</i>		
Male	362	90.5
Female	38	9.5
Total	400	100.0
<i>Entrepreneurs' Fathers' Occupations</i>		
Business	185	46.3
Service	123	30.8
Agriculture	92	23.0
Total	400	100.0
<i>Educational Qualifications of Entrepreneurs</i>		
Below secondary	115	28.8
Secondary	68	17.0
Higher secondary	65	16.2
Graduation and above	152	38.0
Total	400	100.0
<i>Marital Status of Entrepreneurs</i>		
Single	30	7.5
Married with children	336	84.0
Married without children	34	8.5
Total	400	100.0
<i>Previous Occupations of Entrepreneurs</i>		
Unemployed	116	29.0
Homogeneous business	97	24.3
Another business	108	27.0
Service	70	17.5
Agriculture	9	2.2

Total	400	100.0
<i>Previous Business Experience of Entrepreneurs</i>		
No experience	38	9.5
Below 10 years	190	47.5
10 years and above	172	43.0
Total	400	100.0
<b><i>Profiles of the Sample Enterprises</i></b>		
	<b><i>No. of Enterprises</i></b>	<b><i>Percentage</i></b>
<i>Type of Sample Enterprises</i>		
Trade	204	51.0
Manufacturing	162	40.5
Services	34	8.5
Total	400	100.0
<i>Legal Form of Sample Enterprises</i>		
Sole proprietorship	320	80.0
Partnership	23	5.7
Private limited company	57	14.3
Total	400	100.0

Source: Field Survey