

A Study On Challenges Faced By Entrepreneurs

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Abstract

An entrepreneur is a company's risk-taker. Economists and social workers often refer to entrepreneurs when discussing the issue of economic development. Entrepreneurship has a significant role to play in societal and economic change, regardless of the type of business. The importance of entrepreneurs in monetary development cannot be overstated. There are many factors that contribute to the failure of entrepreneurs, including a lack of necessary skills such as communication, technical, entrepreneurial, and soft skills. So that entrepreneurs can keep their businesses afloat, they can take advantage of various government-oriented and private-oriented training programs. Hypothesis related to challenges has been tested by using SEM model.

Keywords: Entrepreneurship, Challenges

1. Introduction

Sustaining a business for an entrepreneur is no small feat. An entrepreneur aims to be knowledgeable in all aspects of his or her industry. To be an entrepreneur is to engage in entrepreneurial activity (Yoganandan & Vignesh, 2017). Innovation, finance, and business acumen are being collected by entrepreneurs in order to turn new ideas into profitable products. You need more than just starting a business to be an entrepreneur. An entirely new way of thinking about vision, change, and creativity is involved. Entrepreneurs must have a strong desire to create and implement new ideas and creative solutions. They must learn the skills that will help them develop an entrepreneurial mindset and prepare future leaders for solving more complex problems (Andrew & Kathryn, 2015).

Entrepreneurs occupy an imperative position for the economic progress of the country. Growth of rural entrepreneurship assists in generation of self-employment, which help in extensive dissemination of industrial and economic activities and facilitates in fullest deployment of locally accessible resources and laborers. It is truth that the most of rural entrepreneurs confront numerous constraints owing to lack of essential facilities in rural areas like, shortage of finance, lack of marketing knowledge, non-availability of skilled labor force, inadequacy of technical knowledge, severe competition from urban oriented entrepreneurs, complicated procedures on availing finance from banks and financial institutions, lack of soft skills. Unless the problems of rural entrepreneurs are controlled and mitigated the purpose of establishing rural entrepreneurs may get affected, which result in once again rural

people may migrate to nearby urban areas seeking employment.

At least 73% of India's people live on the outskirts in rural areas. Agriculture is the primary source of employment for those living in rural areas. With limited resources, small-business owners in rural areas work hard at utilizing them in the most efficient way possible. Many rural entrepreneurs have not been able to succeed in their business ventures due to their lack of education, lack of technical know-how, deficiency in marketing skills, lack of financing, and inability to obtain quality raw materials on a regular basis.

2. Literature Review

It was found in a study by Venkateswarlu and Ravindra (2015) that rural entrepreneurs face difficulties due to illiteracy, a lack of financial resources, and a lack of technological knowledge.

According to a study by Jyoti Rani and Sanjay Kumar Sinha (2016), women entrepreneurs face a number of challenges, including difficulty obtaining loans, a lack of production infrastructure, poor marketing skills, difficulty attracting customers, and unfavorable market conditions.

Ngorora and Mago (2016) found that rural entrepreneurs are hindered by a lack of financial resources, a lack of access to transportation, and a lack of marketing skills.

In their research, Priyanka, S. Patil and Sidharth, R. Patil (2016) found that rural entrepreneurs face numerous difficulties, including frequent power outages, a lack of family support, and a lack of technical expertise.

According to a study by Jayadatta (2017), rural entrepreneurs face a number of

challenges, including a lack of infrastructure, a scarcity of capital, and a lack of expertise in information technology.

Hedge, V. (2018) conducted a study on the specific challenges of micro, small, and medium-sized enterprises (MSMEs) in Peenya industrial area, Bangalore. The study revealed that the majority of entrepreneurs face a high level of human resource challenge, followed by operational, infrastructural, governmental, social & political, financial, and marketing challenges, respectively.

Pooja Khatri (2019) examined a variety of issues and obstacles encountered by the MSME sector. The obstacles faced by MSMEs, such as financial issues, marketing and technology issues, human resources, operational issues, and export potential, were identified using secondary data. The study also recommended steps to assist MSMEs flourish.

Shaji.A (2020) Small and medium-sized enterprises (SMEs) have been prevented from reaching their full potential by a variety of factors, including technological lag, high credit costs, a lack of adequate infrastructure, a scarcity of skilled labour, and a lack of market access, despite their high growth rates and promising futures.

Objective:

- To identify various challenges faced by entrepreneurs.
- To study relationships of various challenges.

Hypotheses:

H₀1: There is no impact of managerial challenges on challenges faced by entrepreneurs.

H₀2: There is no impact of financial constraints on challenges faced by entrepreneurs.

H₀3: There is no impact of Procedures & formality difficulties on challenges faced by entrepreneurs.

H₀4: There is no impact of technological challenges on challenges faced by entrepreneurs.

3. Research Methodology

The study depends on primary data. Primary data is gathered by employing questionnaire. Questions pertaining to problems faced by entrepreneurs running MSMEs are included in the questionnaire. By adopting convenient sampling method questionnaires are to 301 MSMEs entrepreneurs of manufacturing sector in an around Bangalore city. The collected data are analyzed with the help of factor analysis and the impact of each challenge on overall challenges faced by entrepreneurs was tested using path coefficients by using SEM model.

Discussion of Challenges faced by entrepreneurs of MSMEs:

1. Financial challenges:

It's tough for Entrepreneurs to get the money they need to run and expand. One of the biggest financial problems faced by Indian small and medium-sized businesses (MSMEs) is the inability to offer collateral, as well as a lack of awareness about potential government initiatives, high interest rates, and excessive processing fees for loan requests.

2. Managerial challenges:

Entrepreneurs have limited resources and human capital, making it difficult to motivate managers and

technicians. Poor project planning in SMEs is exacerbated by the absence of adequate R&D, testing, and feasibility studies. Risk management, frequent government inspections, gender disparity, and sectoral disparity are all issues in the small business sector.

3. Government challenges:

Insufficient provisions are in place for startups, and the legal system is still in flux when it comes to the formation and operation of smaller industrial units. It's difficult to understand the inflexible labour laws, and the procedures for complying with them are time-consuming. Regulatory policies are fraught with ambiguity. An apprehension exists about a complicated and expensive dispute resolution process.

4. General challenges:

During the early stages of their business, small-business entrepreneurs must deal with a variety of socio-cultural issues related to family support and caste-based differences. The sector has become less resilient to environmental change as a result of the inherent liability that comes with operating at a small scale. As a result, there is a lot of staff churn. In both the managerial and technical levels, there is a lack of IT literacy.

5. Raw material challenges:

Due to high tariffs imposed on raw materials imported by small and medium-sized enterprises (SMEs), export value chains face

difficulties. Social capital resources, such as networks, inter-firm relationships, managerial connections, and informal ties, are lacking because of the disadvantage of being smaller than their competitors. Because of this, entrepreneurs find it extremely difficult to compete internationally.

6. Human Resource challenges:

Human resources with strong managerial abilities are difficult to come by for small and medium-sized businesses (SMEs) due to the high salaries and benefits offered by larger corporations. Insufficient and untrained personnel are a problem for small and medium-sized enterprises (SMEs). Employees with sector-specific training at all levels are in short supply.

6. Infrastructure challenges:

Poor infrastructure has harmed the sector. Water, electricity, transportation, and other forms of communication are all severely lacking. The productivity and profitability of small and medium-sized enterprises (SMEs) are harmed by infrastructure problems.

7. Technological challenges:

Due to outdated machinery and equipment, the operating costs of Indian MSMEs have risen sharply in recent years. As a result, the manufacturing sector's competitiveness has suffered. Modernization of technology is an absolute necessity.

4. Results and Discussion:

4.1 Demographic characteristics of the entrepreneurs:

Table 1: Demographic information about the respondents (N=301)

Measures	Items	Frequency	Percentage
Gender	Male	205	68.2
	Female	96	31.8
Age	Below 24	15	5
	25-30	35	12
	30-35	99	33
	35-40	111	37
	40 & above	41	13

Education	Secondary	36	12.2
	Undergraduate	65	21.6
	Postgraduate	107	35.4
	Others	93	30.8
Years of business established	0-5 years	102	33.8
	5-10 years	86	28.5
	Above 10 years	113	37.7

(Source: Primary survey)

4.2 Exploratory Factor analysis (EFA):

For identifying various challenges faced by entrepreneurs of manufacturing sector, the current study has conducted factor analysis using Principal component analysis with Varimax rotation. The KMO value **0.851** with significant Bartlett test of sphericity confirmed that sample size is adequate to run further analysis. The factor extraction was decided based on Eigen value 1 and factor loading above or equal to 0.7, therefore finally four challenges were

identified and one latent factor representing overall challenges faced by entrepreneurs. The extracted factors are able to explain **76.3%** of total variance.

4.3 Reliability: The current study used Cronbach's alpha values for testing the reliability of the measurement scale. As per Nunnally (1978), when the alpha values 0.7 or above this then proposed scale items are reliable. The findings of the table 2 assured that present data is reliable as alpha values for all the factors above 0.7.

Table 2: Factor loading of each construct with Cronbach's alpha values:

Factors	Items	Loadings	Alpha value
Managerial Challenges	M1	.746	0.778
	M2	.797	
	M3	.755	
	M4	.807	
	M5	.718	
Financial Challenges	FC1	.719	0.857
	FC2	.781	
	FC3	.746	
	FC4	.769	
Procedure & Formality Difficulties	PDF1	.753	0.842
	PDF2	Lack of knowledge related to Banking procedures and formalities .819	

	PDF3		.752	
	PDF4		.793	
Technological challenges	TC1		.898	0.813
	TC2		.806	
	TC3		.887	
Challenges faced by Entrepreneurs	EC1		.769	0.786
	EC2		.771	
	EC3		.854	

Source: Primary survey

Table 3: Descriptive and Correlation among variables:

	Mean	MC	FC	PDF	TC	EC
Managerial challenge	4.4439	1	.482**	.611**	.435**	.592**
Financial challenge	4.2658	.482**	1	.664**	.425*	.668**
Procedure & Formality Difficulties	4.4784	.611**	.664**	1	.486**	.669**
Technological challenges	4.3953	.435**	.425*	.486**	1	.553**
Challenges faced by Entrepreneurs	4.5515	.592**	.668**	.669**	.553**	1

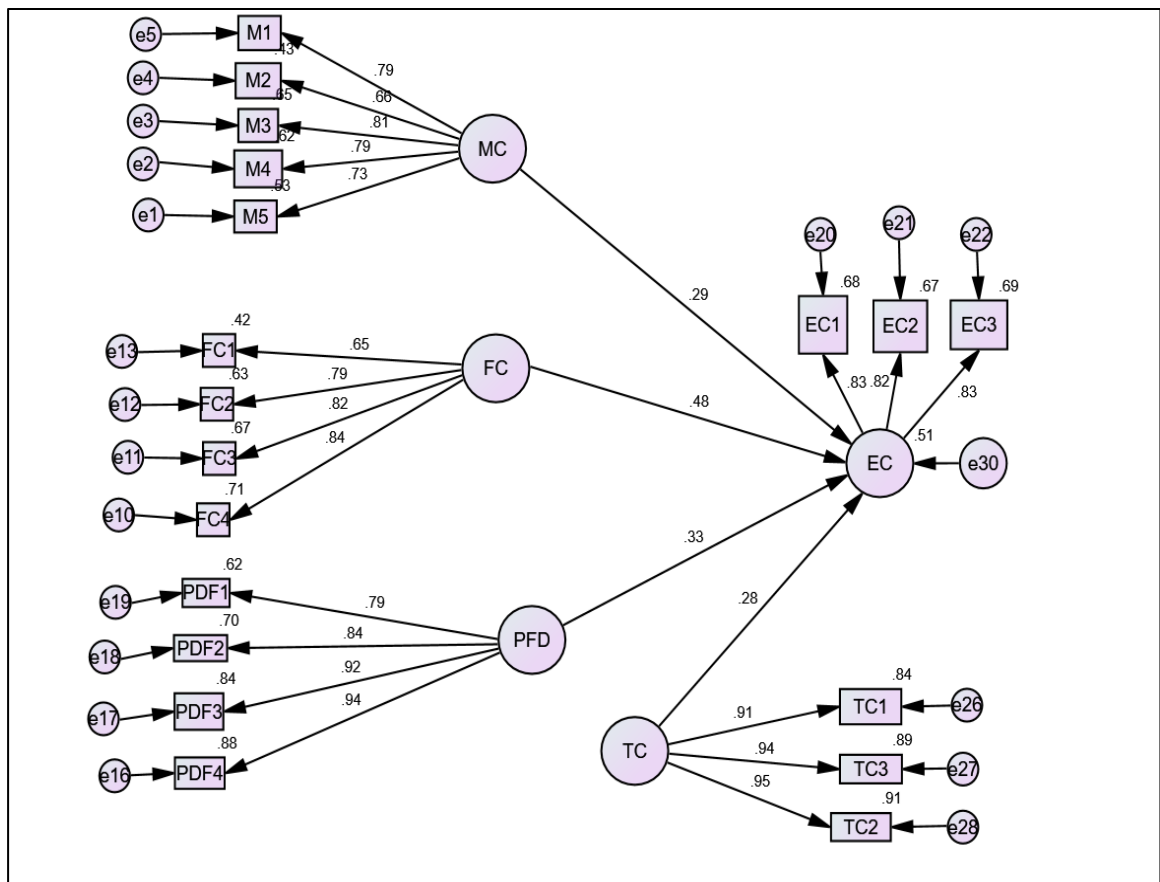
Source: Primary survey

Here, ** indicate correlation significant at 0.01 level.

4.3 Hypotheses testing using Structural Equation modelling (SEM):

The impact of each challenge on overall challenges faced by entrepreneurs was

tested using path coefficients. The criteria for significant path are when p value below 0.05 (at 5% level of significance) and T value above 1.96.



Note: Here- MC: Managerial challenges, FC-Financial challenges, PFD-Procedure & Formality difficulties, TC-Technological challenges, EC-Entrepreneurs challenges.

The findings of the table 4, indicate the path coefficient (β) i.e., standardized regression weights, T value along with p value for particular relationship. The standardized coefficient (β) values inferred the impact of the independent variable on the dependent variable, and higher the β value stronger is the impact. By referring table 4 and figure 1, it is confirmed that managerial challenge has significant impact on entrepreneur challenge with $\beta = 0.292$, $p = 0.00$, since p value less than 0.05, therefore, hypothesis 1 was accepted.

The impact of financial challenge on EC is positive with β value = 0.480 and $p=0.032$.

As the $p < 0.05$ and critical ratio value above 1.96, thus hypothesis H2 is approved.

Further, procedure and formality difficulty also significantly influencing entrepreneur challenges having β value = 0.334 and $p=0.037$, confirming hypothesis H3.

Finally, the Technological challenges has significant impact on overall challenges faced by entrepreneurs. The standardized coefficient (β) of this path is 0.279 with $p=0.035$ ($p < 0.05$), therefore, hypothesis H4 was accepted.

The coefficient of determination (R^2) value is 0.51, for Entrepreneur challenge inferred 51% of variation in EC explained by managerial, financial, procedure difficulties and technological challenges.

The structural model's overall fit statistics using goodness indices indicate that the hypothesised four-factor model fits the

sample data. The value of good indicator indices such as $\chi^2 = 280.083$, $\chi^2/DF = 2.370$, $AGFI = 0.914$, $NFI = 0.893$,

$CFI = 0.918$, $GFI = 0.920$, & $TLI = 0.850$ is above the recommended criteria of 0.9 (Hair et al., 2010).

Table 4: Path coefficients of the Structural model

Dependent variable		Independents Variables	T	P	Regression weights (β)	Hypothesis
EC	<---	MC	5.296	0.000	.292	Supported
EC	<---	FC	8.323	0.032	.480	Supported
EC	<---	PDF	6.470	0.037	.334	Supported
EC	<---	TC	5.490	0.035	.279	Supported

Note: P refers to the differential probability.

Conclusion

In order to create money, entrepreneurs use their capacity to scan, discover, and analyses opportunities in the environment to translate them into business propositions through the establishment of big economic organizations. They are catalysts for economic growth and change agents in society because of their efficient and effective use of natural and national resources. Entrepreneurial talent in the population plays an important role in determining how quickly a nation progresses according to Joseph Schumpeter. According to Meir and Baldwin, when economic conditions and consequences are just right, development doesn't happen on its own. There is a requirement for a significant amount of entrepreneurial activity to be triggered by a catalyst. The abundance of self-starters that characterizes wealthy nations explains their diverse range of endeavors. To come out from the obstacle and make the MSMEs success entrepreneurs must learn to manage these challenges.

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