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# Financial Problems of Small Scale Entrepreneurs

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***Abstract:*** *The scarcity of capital and inadequate availability of credit facilities are the major causes of this problem. Every kind of problem whether of raw material, power, transport or marketing faced by an entrepreneur, in its ultimate analysis, turns out to be a problem of finance. Government should provide seed capital assistance to all the entrepreneurs without any discrimination (Seed Capital assistance should be provided not only for women and minorities (NEEDS) entrepreneurs as per NEEDS scheme). The Government should provide an adequate power tariff subsidy, capital subsidy, export development finance, generator subsidy to overcome the financial problems to a greater extent like policy initiatives for first generation entrepreneurs, a separate policy initiatives is urgently needed for young entrepreneurs among young educated people for promoting SSIs. There is a congenial atmosphere in terms of climate, natural resources to start and run the small scale industries successfully. Despite this, small sale entrepreneurs of the district have been mainly facing financial due to lack of Government assistance. This problem of finance is vitally related to the problems of production, technical and managerial competence and marketing. Non-availability of timely finance has been the root cause of the above problems*.

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## I. Introduction

Finance is the life blood of any enterprise and no enterprise can function properly in the absence of adequate funds. The scarcity of capital and inadequate availability of credit facilities are the major causes of this problem. Every kind of problem whether of raw material, power, transport or marketing faced by an entrepreneur, in its ultimate analysis, turns out to be a problem of finance. These enterprises are still struggling with the problem of inadequate availability of high cost funds. These enterprises are promoting various social objectives and in order to facilitate then working adequate credit on easier terms and conditions must be provided to them.

## II. Scope of the Study

This study aims at analysing the financial problems faced by the entrepreneurs of small scale industries in the district. This study also aims at helping the government in formulating appropriate policy to promote small scale industries. The study covers both manufacturing and service enterprises of Small Scale Sector (SSS) in all the five taluks of Krishnagiri District in Tamil Nadu. The study mainly focuses on major financial problems faced by the small scale entrepreneurs.

## III. Statement of the problem

Shortage of finance affects the viability of small units severely. Every kind of problem whether of raw material, power, transport or marketing faced by an entrepreneur, in its ultimate analysis, turns out to be a problem of finance. The small industry is elbowed out by the large and medium scale industries in the procurement of bank finance and institutional credit. Commercial banks suspect the stability of small industries and are not interested in lending the small amounts which is required to these industries.

## IV. Objectives of the Study

The following objectives are framed:

1. To describes the socio economic profile of the respondent.
2. To analyse the financial problems faced by entrepreneurs in developing SSIs of the district.

## V. Research Methodology

**5.1 Nature of the Study:** The aim of this study is to analyse the financial problems faced by entrepreneurs in developing small scale industries. Hence, the research design applied for this study is descriptive and analytical in nature.

**5.2 Select Variables**

In this study 10 independent and dependent variables are selected for the present study namely gender, age, marital status, fathers' occupation, entrepreneurial generation, educational qualification, previous occupation, religion, community, sources of motivation, business experience and main activity.

**5.3 Nature of the Data:** The primary data were collected from entrepreneurs of small scale industries relating to manufacturing and service units in all five taluks of the Krishnagiri district.

**5.4 Data collection Instrument:** The questions in the interview schedule were designed pertaining to the statement of the problem and objectives of the study. The variables identified from review of literature were taken into account while drafting the interview schedule. The opinion from a panel of members comprising experts in the field of rural industries, entrepreneurship, management, statistics, psychology, economics and commerce were sought at every stage of designing the final interview schedule.

**5.5 Reliability Test for Data Collection Instrument:** To measure the reliability of the instrument Cronbach alpha test was applied. If the alpha value is more than 0.6, it is presumed that the instrument is reliable. The Cronbach alpha test and split – half test were applied to ensure the consistency of the data collection instrument. The measured reliability value is given in the following table. The interview schedule was piloted with 25 respondents in stage I and stage II.

**Table – 1:** Cronbach Alpha Test Report

| | **Cronbach Alpha Values** | |
|---|---|---|
| **Variable** | Stage – I | Stage – II |
| Financial Problems | 0.7911 | 0.8037 |

[**Source:** Primary Data]

From the above table it is clear that the alpha value has improved in second stage. The alpha value for data collected in the stage I and stage II is more than 0.6 which means the statements used to measure the variable are reliable. There is no much difference between alpha for stage I and stage II which indicates that no error has been contributed in the test result.

**Split - Half Test:** Split-half method of reliability test reflects the correlation between two halves of an instrument. If the correlation coefficient is high the instrument is said to have high reliability as regards the internal consistency.

**Table – 2 :** Split – Half Reliability Test

| **Variable** | **Alpha First 25** | **Alpha Second 25** | **Guttman Split-half** | **Correlation Between forms** |
|---|---|---|---|---|
| Financial Problems | 0.7911 | 0.8037 | 0.509 | 0.319 |

[**Source:** Primary Data]

The above table reveals that the alpha value for part I and part II of the randomly selected responses are more than 0.6. The correlation between part I and Part II is also significant. This means that there is an internal consistency among the data.

**5.6 Sampling Procedure:** In the Krishnagiri District there were 735 SSI units were registered in that the researcher has collected data from 349 samples on the basis William G. Cochran's formula. The small scale entrepreneurs in five taluks of Krishnagiri district namely Krishnagiri, Pochampalli, Uthangarai, Denkanikottai and Hosur represent the population for the study. The sample respondents from District Industries Centre (DIC), Krishnagiri were selected by adopting multistage random sampling process.

**5.7 Hypothesis:** There is no significant association between socio-economic variable and financial problems.

**5.8 Statistical Tools Used:** The statistical tools such as chi-square analysis, cluster analysis, discriminant analysis, correlation and multiple regression and factor analysis are used for the present study.

**5.9 Profile of the Study Area:** For this study the researcher has chosen Krishnagiri District. The district profile is concern it has two Revenue Divisions namely Krishnagiri and Hosur, five taluks namely Krishnagiri, Uthangarai, Pochampalli, Hosur and Denkanikottai and 10 blocks namely Krishnagiri, Kaveripattinam, Uthangarai, Mathur, Pochampalli, Bhargur, Hosur, Thally, Vepanapalli, and Kelamangalam.

## VI. Review of Literature

Hussain and Yaqub (2010) revels that scarcity of financial resources and lack of access to financial market was the most severe problems. Bowen et al. (2009) highlighted some factors which prevent an individual to start his own business. Competition, insecurity, debt collection, lack of working capital and power interruptions were the top five cited challenges facing businesses in Nairobi. Government and its regulations is a major obstacle to SMEs operations, with that the government has also failed to maintain law and order, majority of the respondents reporting insecurity and political uncertainty as major challenges. Shamika Ravi(2009) in her study in India examined that shortage of working capital as the most critical factors followed by poor marketing practices.

## VII. Limitations of the Study

1. The study is restricted to Krishnagiri district of Tamil Nadu only.
2. The study is confined to small scale industries only. As per MSME Micro and medium industries were not covered in the present study.
3. The independent variables included in the study are restricted to select variables only.

## VIII. Analysis and Interpretations

**8.1 Chi-square Test (Relationship between Socio - Economic Variables and Financial Problems)**

The following socio-economic variables are used in the present study. The chi-square analysis is done to find out whether the socio economic variables have impact over entrepreneurial problems or not. Chi-square values for the socio-economic variables are given below.

1. **Gender and Financial Problems**

The relationship between gender and financial problems are analysed to understand whether the gender has any effect on financial problems.

**Table - 3**: Gender and Financial Problems

| Gender | Low | Medium | High | Total |
|---|---|---|---|---|
| Male | 165 | 35 | 133 | 333 (95.41%) |
| Female | 15 | 0 | 1 | 16 (4.58%) |
| Total | 180 (51.6%) | 35 (10.0%) | 134 (38.4%) | 349 (100%) |

[**Source**: Primary data]

Out of 349, 180 (51.6%) respondents have low problems, 35 (10%) respondents have medium level problems and 134 (38.4 %) respondents have high problems. Out of 134 respondents with high problems, 133 respondents are male and only one respondent is female. It is observed that majority of the respondents (51.6%) have low level financial problems.

**2. Age of the Respondents**

The relationship between age of the respondents and financial problems are analysed to understand whether age of the respondents has any effect on financial problems.

**Table - 4 :** Age and Financial Problems

| Age | Low | Medium | High | Total |
|---|---|---|---|---|
| 21-30 years | 02 | 00 | 00 | 02 (0.6%) |
| 31-40 years | 43 | 09 | 24 | 76 (29.8%) |
| 41-50 years | 68 | 09 | 74 | 151 (43.3%) |
| 51-60 years | 58 | 14 | 32 | 104 (29.8%) |
| Above 60 years | 09 | 03 | 04 | 16 (4.5%) |
| Total | 180 (51.6%) | 35 10.0%) | 134 (38.4%) | 349 (100%) |

[**Source**: Primary data]

Out of the 151 respondents in the age group of 41-50 years, 74 respondents have high level problems, 9 respondents have medium level problems and 68 respondents have low problems. Out of the 104 respondents in the age group of 51-60 years, 58 respondents have low problems, 14 respondents have medium level problems and 32 respondents have high problems. It is observed that only 2 respondents in the age group of 21-30 years have low problems and no respondent in the age group of 21-30 years falls in medium level and high level problems.

### 3. Marital Status of the Respondents

The following table represents the marital status of the sample respondents.

**Table - 5:** Marital Status of the Respondents

| Marital Status | Frequency | Percent |
|---|---|---|
| Single | 18 | 5.2 |
| Married | 331 | 94.8 |
| Total | 349 | 100.0 |

[**Source:** Primary data]

The table 5 shows that out of 349 respondents, 331 respondents are married and only 18 respondents are unmarried which means 94.8 percent of the respondents are married and only 5.2 percent of the respondents are unmarried.

### 4. Fathers' Occupation and Financial Problems

The relationship between fathers' occupation and financial problems are analysed to understand whether fathers' occupation has any effect on financial problems.

**Table - 6:** Fathers' Occupation and Financial Problems

| Occupation | Low | Medium | High | Total |
|---|---|---|---|---|
| Salaried | 34 | 1 | 20 | 55 (15.76%) |
| Business | 92 | 11 | 50 | 153 (43.84%) |
| Retired | 28 | 12 | 5 | 45 (12.89%) |
| Profession | 26 | 11 | 59 | 96 (27.51%) |
| Total | 180 (51.6%) | 35 (10.0%) | 134 (38.4%) | 349 (100%) |

[**Source:** Primary data]

Out of the 153 respondents whose fathers' occupation is business, 92 respondents have low problems, 11 respondents have medium level problems and 50 respondents have high problems. Out of the 96 respondents whose fathers' occupation is profession, 59 respondents have high problems, 26 respondents have low problems and 11 respondents have medium level problems. It is observed that majority of the respondents' (43.8%) fathers have own business.

### 5. Entrepreneurial Generation of the Respondents

Entrepreneurial generation of the respondents is given in the following table.

**Table - 7:** Entrepreneurial Generation of the Respondents

| Entrepreneurial Generation | Frequency | Percent |
|---|---|---|
| First Generation | 325 | 93.1 |
| Second Generation | 24 | 6.9 |
| Total | 349 | 100.0 |

[**Source:** Primary data]

The table 7 reveals that out of 349, 325 respondents are first generation entrepreneurs and only 24 respondents are second generation entrepreneurs. Hence, 93.1 percent of the entrepreneurs are first generation entrepreneurs and only 6.9 percent of the entrepreneurs are second generation entrepreneurs.

**6. Educational Qualification and Financial Problems**

To understand whether educational qualifications have effect on financial problems the relationship between these two is analysed.

**Table - 8 -** Educational Qualification and Financial Problems

| Educational Qualification | Low | Medium | High | Total |
|---|---|---|---|---|
| ITI | 7 | 8 | 9 | 24 (6.88%) |
| Diploma | 64 | 11 | 29 | 104 (29.80%) |
| B.E | 22 | 2 | 15 | 39 (11.17%) |
| M.E | 9 | 0 | 3 | 12 (3.44%) |
| Others | 78 | 14 | 78 | 170 (48.71%) |
| Total | 180 (51.6%) | 35 (10.0%) | 134 (38.4%) | 349 (100%) |

[**Source:** Primary data]

The table 8 reveals that out of the 170 respondents with non-technical qualifications, 78 respondents each have low and high problems and only 14 respondents have medium problems. Around 64 respondents have low problems, 11 respondents have medium problems and 29 respondents have high problems out of the 104 respondents with diploma qualification. It is noted that majority of the respondents (48.7%) have non- technical qualifications.

**7. Previous Occupation and Financial Problems**

To understand whether previous occupation has any effect on financial problems the relationship between these two is analysed.

**Table - 9:** Previous Occupation and Financial Problems

| Previous Occupation | Low | Medium | High | Total |
|---|---|---|---|---|
| Employed | 132 | 19 | 89 | 240 (68.77%) |
| Business | 17 | 0 | 24 | 41 (11.75%) |
| Retired | 0 | 0 | 1 | 1 (0.29%) |
| Profession | 18 | 5 | 4 | 27 (7.74%) |
| Others | 13 | 11 | 16 | 40 (11.46%) |
| Total | 180 (51.6%) | 35 (10.0%) | 134 (38.4%) | 349 (100%) |

[Source: Primary data]

The table 9 shows that out of 240 respondents in the employed category, 132 respondents have low problems, 19 respondents have medium problems and 89 respondents have high problems. Out of the 41 respondents who are engaged in business, 24 respondents have high problems, 17 respondents have low problems and no respondent falls in medium level problems. It is observed that majority of the respondents (68.7%) had previously worked as employees.

**8. Sources of Motivation and Financial Problems**

To understand whether motivation has any effect on financial problems the relationship between these two is analysed.

**Table - 10:** Sources of Motivation and Financial Problems

| Sources of Motivation | Low | Medium | High | Total |
|---|---|---|---|---|
| Father | 21 | 5 | 14 | 40 (1.46%) |
| Friends | 11 | 3 | 22 | 36 (10.32%) |
| Circumstance | 43 | 4 | 4 | 51 (14.61%) |
| Own Initiatives | 103 | 23 | 94 | 220 (63.04%) |
| Relatives | 2 | 0 | 0 | 2 (0.57%) |
| Total | 180 (51.60%) | 35 (10.00%) | 134 (38.40%) | 349 (100%) |

[**Source:** Primary data]

The table 10 reveals that out of the 220 respondents, who have established units with their own initiatives, 103 respondents have low problems, 23 respondents have medium problems and 94 respondents have high problems. Around 43 respondents have low problems and four respondents each have medium and high problems out of the 51 respondents who are motivated by circumstances. It is observed that majority of the respondents (63%) have started their business with own initiatives.

**9. Business Experience and Financial Problems**

To understand whether business experience has any effect on financial problems the relationship between these two is analysed.

**Table - 11:** Business Experience and Financial Problems

| Business Experience | Low | Medium | High | Total |
|---|---|---|---|---|
| Less than 1 year | 0 | 0 | 7 | 7 (2.01%) |
| 1-3 years | 8 | 0 | 0 | 8 (2.29%) |
| 3-5 years | 11 | 0 | 10 | 21 (6.02%) |
| Above 5 years | 161 | 35 | 117 | 313 (89.68%) |
| Total | 180 (51.6%) | 35 (10.0%) | 134 (38.4%) | 349 (100%) |

[**Source:** Primary data]

The table 12 reveals that out of 313 respondents with above 5 years of business experience, 161 respondents have low problems, 35 respondents have medium problems and 117 respondents have high problems. It is observed that majority of respondents (89.6%) have gained above 5 years of experience.

**10. Main Activity and Financial Problems**

To understand whether main activity has any effect on financial problems the relationship between these two is analysed.

**Table - 13:** Main Activity and Financial Problems

| Main Activity | Low | Medium | High | Total |
|---|---|---|---|---|
| Manufacturing | 133 | 32 | 127 | 292 (83.67%) |
| Services | 47 | 3 | 7 | 57 (16.33%) |
| Total | 180 (51.60%) | 35 (10.00%) | 134 (38.40%) | 349 (100 %) |

[**Source:** Primary data]

The table 13 depicts that out of the 292 respondents who are engaged in manufacturing activity, 133 respondents have low problems, 32 respondents have medium problem and 127 respondents have high problems. Out of the 57 respondents from service sector, 47 respondents have low problems, 3 respondents have medium problems and 7 respondents have high problems. It is observed that majority of the respondents (83.6%) are involved in manufacturing activities.

**Chi-Square Values for the Socio-Economic Variables**

The chi-square test result shows that there is a significant association between main activity and financial problems. Hence the null hypothesis is rejected

.

**Table - 14:** Chi-Square Values for the Socio-Economic Variables

| S.No | Socio-Economic Variables | Chi-Square Values | Significant Values | Significant or Not |
|---|---|---|---|---|
| 1. | Gender | 11.978 | 0.003 | Significant |
| 2. | Age | 16.770 | 0.033 | Significant |
| 3. | Marital Status | 2.239 | 0.326 | Not Significant |
| 4. | Fathers' Occupation | 56.373 | 0.000 | Significant |
| 5. | Entrepreneurial Generation | 2.885 | 0.236 | Not Significant |
| 6. | Educational Qualification | 28.611 | 0.000 | Significant |
| 7. | Previous Occupation | 34.649 | 0.000 | Significant |
| 8. | Sources of Motivation | 35.594 | 0.000 | Significant |
| 9. | Business Experience | 21.817 | 0.001 | Significant |
| 10. | Main Activity | 26.239 | 0.000 | Significant |

[**Source:** Primary data]

From the table 14, it is observed that seventeen socio-economic variables such as gender, age, birth place, father's occupation, educational qualifications, sources of technical skills, sources of administrative skills, previous occupation, religion, community, sources of motivation, business experience, main activity, members of HOSTIA, location of industry, seminar attended and trade fair attended have significant association with financial problems.

### 8.2 Factor Analysis

The factor analysis tries to identify and define the underlying dimensions or factors in the original variables. Here, 10 variables in financial problems are identified to study the entrepreneurial problems of the small scale entrepreneurs. The variables are stated in the form of statements to collect opinion from the small entrepreneurs. They were asked to give their opinion for all statements related to financial problems in the Likert Five Point Scale with the alternate options namely strongly disagree, disagree, neither agree nor disagree, agree and strongly agree. Initially, the correlation among these variables was calculated. Usually a correlation value of 0.3 is considered sufficient to explain the relation between variables. If the correlations between variables are small, it is not likely that they share common factors. A closer examination of the correlation matrix may reveal what are the variables which do not have any relationship. Therefore, all the variables have been retained for further analysis. Further, two Test were applied to the resultant correlation matrix to test whether the relationship among variables is significant or not.

**Table – 15:** KMO and Bartlett's test

| **Kaiser-Meyer-Olkin Measure of Sampling Adequacy.** | | **0.827** |
|---|---|---|
| Bartlett's Test of Sphericity | Approx. Chi-Square | 2.313E3 |
| | Df | 45 |
| | Sig. | 0.000 |
| | Sig. | 0.000 |

[**Source:** Primary data]

The Kaiser – Meyer – Olkin test is based on the correlations and partial correlations of the variables. If the test value of KMO measure is closer to one, it is good to use factor analysis. If the KMO measure is closer to zero, the factor analysis is not a good idea for the variables and data. The value of test statistics is 0.827.

Another test namely Bartlett's test of sphericity is used to test whether the correlation matrix is an identity matrix i.e., all the diagonal terms in the matrix are one and the off-diagonal terms in the matrix are zero. In short, the correlation between all the variables is zero. The test value is 2.313. The significant values for all the problems are 0.000. Hence, there exists significant relationship among the variables. The measure of KMO test and value of Bartlett's test indicate for all the four problems that the present data is useful for factor analysis. The next step in the process is to decide about the number of factors to be derived. The rule of thumb is applied to choose the number of factors for which "Eigen values" with greater than unity is taken by using principal component analysis (PCA) method. The results so obtained have been given in the tables separately along with factor loading.

**Table – 16:** Factors and Total Variance

| | **Initial Eigen values** | | **Extraction Sums of Squared Loadings** | | **Rotation Sums of Squared Loadings** | |
|---|---|---|---|---|---|---|
| Component | % of Variance | Cumulative % | % of Variance | Cumulative % | % of Variance | Cumulative % |
| 1 | 54.645 | 54.645 | 54.645 | 54.645 | 36.890 | 36.890 |
| 2 | 13.083 | 67.727 | 13.083 | 67.727 | 30.837 | 67.727 |
| 3 | 8.084 | 75.811 | | | | |
| 4 | 6.868 | 82.679 | | | | |
| 5 | 5.420 | 88.099 | | | | |
| 6 | 3.554 | 91.653 | | | | |
| 7 | 2.999 | 94.653 | | | | |
| 8 | 2.299 | 96.952 | | | | |
| 9 | 1.742 | 98.694 | | | | |
| 10 | 1.306 | 100.000 | | | | |

[**Source:** Primary data]

Among the two factors pertaining to financial problem which account for 36.8, percent of variances are the prima criteria considered to study the entrepreneurial problems of small scale entrepreneurs.

**Table – 17:** Component Matrix

| | **Component** | |
|---|---|---|
| Problems | 1 | 2 |
| High insurance premium | 0.855 | |
| Inadequate finance for expansion | 0.823 | |
| Banks or institutions asking for a lot of information and data | 0.804 | |
| Lack of state government's support | 0.781 | |
| Delayed sanction of loan and stringent payment procedures | 0.768 | |
| Tax and regulations | 0.714 | |
| High rate of interest when raising capital from the non – banking sector | 0.691 | 0.569 |
| Inadequate seed capital, fixed capital and working capital | 0.664 | 0.538 |
| Poor capacity to repay the instalment in time due to delayed payment by buyers | 0.657 | |
| Cost and availability of health Insurance | 0.590 | |

[**Source:** Primary data]

Since the factor loading (coefficients) indicates how much weight is assigned to each factor, factors with large coefficients for a variable are closely related to that variable. Thus the ten variables pertaining to financial problem are reduced to two factor models are reduced to two factor models and each factor is identified with the corresponding variable as given below.

**Table – 18:** Grouping of Factors

| **Factors** | **Statements** | **Value** |
|---|---|---|
| Factor 1 (Inadequate Government's Support) | 1. Lack of Government's support | 0.827 |
| | 2. Delayed sanction of loan and stringent payment procedures | 0.811 |
| | 3. Inadequate finance for expansion | 0.785 |
| | 4. Tax and its regulations | 0.759 |
| | 5. Cost and availability of health Insurance | 0.662 |
| | 6. High insurance premium | 0.616 |
| Factor 2 (Inadequate Capital) | 1. High rate of interest when raising capital from the non – banking sector | 0.883 |
| | 2. Inadequate seed capital, fixed capital and working capital | 0.841 |
| | 3. Bank or institutions asking for a lot of information and data | 0.802 |
| | 4. Poor capacity to repay the installment in time due to delayed payment by buyers | 0.549 |

[**Source:** Primary data]

Factor scores are obtained for each factor pertaining to problems of finance by adding the ratings given for each statement. If the score is high the level of the factor related to the problems of small scale entrepreneurs will be high on the respondent.

**8.3 Segmentation of problems of small entrepreneurs using Cluster Analysis**

The problems of small scale entrepreneurs can be classified into three categories based on choice criteria. They are classified into three segments because the difference between the coefficients is significant only on three cases on the hierarchical cluster. For the purpose of classification of entrepreneurs k-means cluster is used.

**Table – 19:** Final Cluster Centres

| Financial Problems | Cluster | | |
|---|---|---|---|
| | 1 | 2 | 3 |
| Inadequate Government's Support | 3.90 | 4.66 | 4.77 |
| Inadequate Capital | 4.06 | 3.94 | 4.88 |
| Average | 3.98 | 4.3 | 4.83 |
| Rank | III | II | I |

[**Source:** Primary data]

The final cluster centres table 19 reveals that the mean values for the three clusters which reflect the attributes of each cluster. The mean values for each factor pertaining to different problems are given below. The high mean value of Inadequate Government's Support and Inadequate Capital are 4.77 and 4.88 respectively. The rank of the clusters on each factor is also given in the table 4.104. The average score of the first cluster is 3.98 with third rank and second cluster is 4.30 with second rank. The average score of the third cluster is 4.83 with first rank. This means that third cluster people have high problems, second cluster people have medium problems and first cluster people have low problems. As far as third cluster is concerned, respondents have high problems on both factors of financial problems.

**Table 20:** ANOVA

| Statement of Problems | Cluster | | Error | | | |
|---|---|---|---|---|---|---|
| | Mean Square | df | Mean Square | df | **F** | **Sig.** |
| Inadequate Government's Support | 31.238 | 2 | 0.066 | 346 | 475.435 | 0.000 |
| Inadequate Capital | 29.911 | 2 | 0.050 | 346 | 597.555 | 0.000 |

[**Source:** Primary data]

The ANOVA table indicates that the difference existing among the three clusters in the mean value is significantly different. The cluster mean square, error mean square and F-value of Inadequate Government's Support (Factor 1) and Inadequate Capital (factor 2) are 31.238, 0.066 and 475.435 respectively. Similarly the cluster mean square, error mean square and F-value for factor 1 and factor 2 are 29.911, 0.050 and 597.555 respectively. The significant value for both the criteria is 0.000. This means that both the factors have significant contribution on dividing respondents into three segments.

**Table – 21:** Number of respondents in each Cluster

| | | | | |
|---|---|---|---|---|
| Cluster | 1 | 180 | 38.40% | Low |
| | 2 | 35 | 10% | Medium |
| | 3 | 134 | 51.50% | High |
| Valid | | 349 | 100% | |

[**Source:** Primary data]

The table 21 reveals that out of the 349, 134 respondents (38.4%) have high level of financial problems, 35 respondents (10%) have medium level of financial problems and 180 respondents (57.5%) have low level of financial problems. It is noted that majority of the respondents (51.5%) have low financial problems related to small scale business.

**8. 4 Correlation between Socio-Economic Factors and Financial Problems**

Correlation between the factors relating to socio-economic profile of the respondents and the factors relating to financial problems of entrepreneurs which are given in the following table.

**Table – 22:** Correlation – Problems

| S.No. | Socio-Economic Variable | Pearson Correlation | Sig. (2tailed) |
|---|---|---|---|
| 1. | Gender | -0.173** | 0.001 |
| 2. | Birth Place of the Respondents | -0.119 | 0.026 |
| 3. | Marital Status | +0.022 | 0.676 |
| 4. | Fathers' Occupation | +0.234** | 0.000 |
| 5. | Mothers' Occupation | -0.026** | 0.633 |
| 6. | Entrepreneurial Generation | -0.010 | 0.851 |
| 7. | Sources of Technical/ Craft Skills | -0.114* | 0.033 |
| 8. | Sources of Management / Administrative Skills | -0.237 | 0.000 |

| | | | |
|---|---|---|---|
| 9. | Previous Occupation | +0.035 | 0.509 |
| 10. | Religion | -0.080 | 0.136 |
| 11. | Community | -0.095 | 0.075 |
| 12. | Sources of Motivation | +0.012 | 0.820 |
| 13. | Main Activity | -0.268** | 0.000 |
| 14. | Members of HOSTIA | +0.268 | 0.000 |
| 15. | Members of TANSTIA | +0.105 | 0.050 |
| 16. | Location of Industry | -0.102 | 0.057 |
| 17. | Seminar Attended | +0.286** | 0.000 |
| 18. | Trade fair Attended | +0.051 | 0.343 |
| 19. | Involvement / Working of Family Members | +0.077 | 0.150 |

[**Source:** Primary data]

[* Correlation is significant at the 0.05 level (2-tailed) ** Correlation is significant at the 0.01 level (2-tailed)]

The table 22 reveals that 10 socio-economic variables namely gender, birth place, mothers' occupation, entrepreneurial generation, sources of technical skills, sources of administrative skills, religion, community, main activity and location of industry are negatively correlated with financial problems. The highest correlations are found between seminar knowledge and financial problems (0.286) and HOSTIA membership. It is also noted that there is a low level of relationship between socio-economic factor problems.

**8.6 Regression Analysis for Financial Problems**

Multiple regression analysis represents a logical extension of two variable regression analysis. Instead of a single independent variable, multi independent variables are used to estimate the values of a dependent variable (Financial problems).

**Table – 23:** Model Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| Financial Problems | 0.934 | 0.873 | 0.869 | 0.340 |

[**Source:** Primary data]

The model summary table 23 shows the r value, $r^2$ value, adjusted $r^2$ value and standard error of the estimate. R is the correlation and R square is degree of determination. The degree of determination shows the extent to which independent variables influence the financial problems of SSI. Correlation (R) value is 0.934 and $R^2$ value is o.873. Here, the financial problem is determined to an extent of 87.3% by the independent variables.

**Table – 24:** ANOVA

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| Financial Problems | Regression | 268.795 | 10 | 26.879 | 232.110 | 0.000 |
| | Residual | 39.142 | 338 | 0.116 | | |
| | Total | 307.937 | 348 | | | |

[**Source:** Primary data]

The ANOVA table 24 shows that the significant value is less than 0.01, which means dependent variable (financial problems) is significantly predicted by independent variables at 99% of confidence level. Significant value for all the four problems is 0.000. The F value for financial problems is 232.110.

**Table – 25:** Co-efficient

| Model | | Un standardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| | (Constant) | -6.588 | 0.192 | | -34.336 | 0.000 |
| 1 | Inadequate seed capital, fixed capital and working capital | -0.032 | 0.060 | -0.019 | -0.534 | 0.594 |

| | | | | | | |
|---|---|---|---|---|---|---|
| 2 | High rate of interest when raising capital from the non – banking sector | 0.213 | 0.061 | 0.114 | 3.483 | 0.001 |
| 3 | Bank or institutions asking for a lot of information and data | 0.442 | 0.067 | 0.254 | 6.597 | 0.000 |
| 4 | Poor capacity to repay the instalment in time due to delayed payment by buyers | 0.168 | 0.034 | 0.125 | 4.900 | 0.000 |
| 5 | High insurance premium | 0.523 | 0.063 | 0.295 | 8.283 | 0.000 |
| 6 | Inadequate finance for expansion | 0.260 | 0.057 | 0.160 | 4.551 | 0.000 |
| 7 | Delayed sanction of loan and stringent payment procedures | -0.113 | 0.053 | -0.076 | -2.131 | 0.034 |
| 8 | Lack of state government's support | 0.190 | 0.049 | 0.132 | 3.894 | 0.000 |
| 9 | Tax and regulations | 0.281 | 0.046 | 0.181 | 6.179 | 0.000 |
| 10 | Cost and availability of health Insurance | 0.015 | 0.036 | 0.011 | 0.418 | 0.676 |

[**Source:** Primary data]

The table 25 illustrates that the multiple regression equation describes the average relationship between these variables and this relationship is used to predict or control the dependent variables. Out of 10 independent variables, 8 variables have significant effect on financial problem. Therefore, Financial problem = -6.588 – 0.32 + 0.213 (High rate of interest) + 0.442 (Asking lot of information by banks) + 0.168 (Poor repaying capacity) + 0.523 (High insurance premium) + 0.260 (Inadequate finance for expansion) – 0.113 (Delayed sanction of loan) + 0.190 (lack of state Government's support) + 0.281 (Tax and regulations).

**1. Findings**

The following results were found from the analysis are; **Chi-Square Analysis:** It is observed from the chi-square analysis that there is a significant association between socio-economic variables and financial problems. **Factor Analysis:** It is found from the factor analysis that 10 statements related to financial problems are reduced to 2 factors. **Cluster Analysis:** From the cluster analysis it is learnt that 51.5 percent of the respondents have faced high problems, 38.4 percent of the respondents have faced low problems and only 10 percent of the respondents have faced medium problems with regard to finance. **Correlations:** It is found that the highest correlations are found between seminar knowledge and financial problems (0.286); HOSTIA membership is also noted that there is a low level relationship between socio-economic factors. **Multiple Regression Analysis:** It is found from the regression analysis Out of the10 independent variables, 8 variables have significant effect on financial problem.

**2. Suggestion**

Lease and hire purchase finance for machineries and equipment is not adequate. Export/Import development finance is also not sufficient. The Government should provide adequate financial assistance for procuring machineries and equipment on lease and hire purchase basis and to develop export and import business promptly. Public sector banks and financial institutions should be motivated and directed to provide required loan assistance in the prescribed time period for plant expansion, technology development and modernisation. Seed Capital assistance should be provided not only for women and minorities (NEEDS) entrepreneurs as per NEEDS scheme. Government should provide seed capital assistance to all the entrepreneurs without any discrimination. The Government should provide an adequate power tariff subsidy, capital subsidy, export development finance, generator subsidy to overcome the financial problems to a greater extent like policy initiatives for first generation entrepreneurs, a separate policy initiatives is urgently needed for young entrepreneurs among young educated people for promoting SSIs.

## IX. Conclusion

There is a congenial atmosphere in terms of climate, natural resources to start and run the small scale industries successfully. Despite this, small sale entrepreneurs of the district have been mainly facing financial due to lack of Government assistance. This problem of finance is vitally related to the problems of production, technical and managerial competence and marketing. Non-availability of timely finance has been the root cause of the above problems. Therefore, Financial problem = -6.588 – 0.32 + 0.213 (High rate of interest) + 0.442 (Asking a lot of information by banks) + 0.168 (Poor repaying capacity) + 0.523 (High insurance premium) + 0.260 (Inadequate finance for expansion) – 0.113 (Delayed sanction of loan) + 0.190 (lack of State Government's support) + 0.281 (Tax and regulations).

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