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**"EXPECTATIONS OF PROSPECTIVE ENTREPRENEURS FROM
INSTITUTIONS"**

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ABSTRACT

Micro Small Medium Enterprises generate production at low capital, utilizing indigenous raw materials and local skills, maintaining balanced regional growth and preventing the migration of labour from rural area to urban area. They provide an improved allocation of resources for the best interest of their enterprises as well as the country. They are the pioneers initiating structural changes in the economy. They strive to increase productivity and quality of output through the application of more efficient production techniques, better plant layout and effective marketing policies; they ensure production of better quality goods and services at the lowest cost. The study of entrepreneurship has relevance today, not only because it helps entrepreneurs better to fulfill their personal needs but because of the economic contribution of the new ventures to the country. This current study inspects the expectations of prospective entrepreneurs from financial and non-financial institutions.

1. INTRODUCTION

Micro Small Medium Enterprises play a significant role in the economic development of a country like India. The micro, small, medium enterprises accounts for more than 45 per cent of the total manufacturing output, 33 per cent of the total export of the country and is estimated to employ about 60 million persons in the 26 million units throughout the length and breadth of the country. The need for broad based entrepreneurial class in India arises from the need to speed up the process of activating the factors of production leading to a higher rate of economic growth, dispersal of economic activities, development of backward and tribal areas, creation of employment opportunities, improvement in the standard of living of the weaker sections of the society and involvement of all sections of the society in the process

of growth.

2. STATEMENT OF THE PROBLEM

Recognising the important role that MSMEs play in the national economy, the Central and State Governments have taken active steps to promote and foster their growth. These measures have been particularly effective; but many of the problems of production, marketing and finance still continue to affect the MSMEs. While some of them are more or less common to a wide range of MSMEs, others have particular relevance to a group of MSMEs and to industries situated in rural and backward. Hence the present study has been undertaken to identify their expectations from the institutions for their overall development.

3. METHODOLOGY

The present study is empirical research based on survey method. Primary data are collected from 300 prospective entrepreneurs with the help of a well-structured interview schedule. As some of the statements have common expectation components, they correlated with one another because of the common factorial components. To find out the interrelationship, factor analysis technique was adopted

4. EXPECTATIONS OF PROSPECTIVE ENTREPRENEURS

There is a great expectation among the entrepreneurs regarding financial and non financial supports from the institutions. This paper analyses selected expectations that have been collected from sample respondents. These expectations when fulfilled are helpful to them for their overall development. The respondents expect ‘financial assistance’, ‘entrepreneurial development programme’, ‘managing finance’, ‘marketing of products’, ‘subsidies and incentives’, ‘coordination’ and ‘infrastructural facilities’ from the institutions. First five important factors are analysed in this present study.

ROTATED FACTOR MATRIX FOR EXPECTATIONS OF THE ENTEPRENEURS

The rotated factor matrix for expectations of the entrepreneur is given in Table 1.

Table 1. Rotated Factors Matrix for Expectation of the Entrepreneur

Sl. No	Variable	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5	Factor 6	Factor 7
1.	Low interest rate at the initial stage	.855	-.027	-.011	.270	.219	-.032	.209
2.	Dispersal of the money at right time	.851	.091	.024	.091	.199	.032	.290
3.	Adequacy of credit	.804	.190	-.005	-.133	.214	-.173	.192
4.	Liberal repayment schedule	.803	.325	.186	.126	-.127	.063	-.082
5.	Removal or reduction of margin money	.797	.136	.014	.053	.323	.055	.225
6.	Collateral free loan	.755	-.006	.132	.249	.129	.247	-.117
7.	Third-party guarantee free	.755	.298	.153	.104	-.150	.193	-.186

	loan							
8.	Assistance without redtapism and bureaucratic	.665	.262	.042	.317	-.070	.246	-.258
9.	Motivational training	.115	.884	-.115	.176	.231	.094	-.066
10.	Management and technical skills	.301	.736	.142	.307	.090	.136	-.029
11.	Support system and procedure	.356	.725	.066	-.130	.111	-.041	.432
12.	Fundamentals of project feasibility study	.242	.657	.053	.036	.467	.052	-.197
13.	Helps in determining total finance required	.028	.078	.912	.101	.115	-.090	.065
14.	Helps in identifying appropriate sources	.126	.056	.870	.174	.134	-.062	.156
15.	Recommending finance for working capital	.029	.185	.792	.016	-.087	.286	-.103
16.	Helps in maintaining book keeping and budget	.123	-.264	.678	-.021	-.159	.165	.062
17.	Institutions enable them to conduct market research	.160	-.052	.155	.832	-.094	-.091	-.091
18.	Institutions help them for quality up gradation	.224	.304	.036	.737	.064	.216	.037
19.	Institutions supply relevant market information	.165	.396	.039	.690	.263	.169	.288
20.	Institutions help them in exporting their products	.188	.418	.034	.489	.432	.453	.143
21.	Quantum of subsidy should be adequate	.192	.226	.089	-.020	.849	.147	-.004
22.	Scheme should reach the prospect beneficiaries	.229	.230	-.077	.168	.832	.142	-.124
23.	Coordinate the central and state programmes	.074	.262	.116	.288	.333	.737	.052
24.	Coordinate the activities of all financialInstitutions	.422	-.070	.179	-.004	.128	.720	.341
25.	Industrial areas with full-fledged infrastructural facilities	-.086	.274	.219	.125	-.011	.354	.549
26.	Assuring uninterrupted power supply	.184	-.081	.202	.015	-.146	.028	.499
27.	Adequate and appropriate transport facilities	.063	-.206	.238	.445	.320	.277	.463
28.	Providing storage and warehouse facilities	.342	-.068	.265	.257	-.399	-.389	-.412

Source: Computed data

Factor 1 Financial Assistance

Finance is one of the important prerequisites to start an industry. In fact it is the

availability of finance that facilitates an entrepreneur to bring together land, labour, machinery and raw material and combine them to produce goods. The significance of finance in production is like a lubricant to the process of production. The variables relating to the financial assistance are presented in Table 2.

Table 2. Selected Variables Relating to Financial Assistance

Sl. No	Variable	Factor Loadings	Communality
1.	Low interest rate at the initial stage	0.855	0.897
2.	Dispersal of the money at right time	0.851	0.866
3.	Adequacy of credit	0.804	0.814
4.	Liberal repayment schedule	0.803	0.828
5.	Removal or reduction of margin money	0.797	0.814
6.	Collateral free loan	0.755	0.741
7.	Third-party guarantee free loan	0.755	0.787
8.	Assistance without redtapism and bureaucratic	0.655	0.745

Source: Computed data

With regard to the factor, financial assistance, the variables like ‘low interest rate at the initial stage’ and ‘dispersal of the money at right time’ were the first and second highest factors with the loading of 0.855 and 0.851 respectively and a high communality of 0.897 and 0.866 respectively. The variable ‘assistance without redtapism and bureaucratic’ was the least factor with the loading of 0.655 and a low communality of 0.745.

The profit of an entrepreneur at the initial stage is very small due to low production and low sales. They look for low interest rate at the initial stage. Dispersal of the money at the right time helps the entrepreneur to start the business at the right time and launch the product in the market at the right time.

Factor 2 Entrepreneurial Development Programme

Entrepreneurial development programme is a comprehensive programme enhancing the motivation, knowledge and skills of the potential entrepreneurs and assisting them in the development of their own enterprises. Entrepreneurial development programme instills confidence in participants and prepares them to face numerous problems confronting business boldly and patiently. The variables relating to the entrepreneurial development programme are presented in Table 3.

Table 3. Selected Variables Relating to Entrepreneurial Development Programme

Sl. No	Variable	Factor Loadings	Communality
1.	Motivational training	0.884	0.905
2.	Management and technical skills	0.736	0.774
3.	Support system and procedure	0.725	0.875
4.	Fundamentals of project feasibility study	0.657	0.753

Source: Computed data

Regarding the factor entrepreneurial development programmes the variable ‘motivational training’ was the first highest factor with the loading of 0.884 and a high communality of 0.905 and ‘fundamentals of project feasibility study’ was the least factor with the loading of 0.657 and a low communality of 0.753.

Prospective entrepreneurs request the institutions to conduct motivational training for increasing the need of achievement and confidence among the participants. Due to this increase, they develop the right aptitude and behaviour towards business. Entrepreneurs think that business can be successfully run only with proper managerial and technical skills. They want to know about the procedure of applying and obtaining assistance from the institutions.

Factor 3 Managing Finances

Proper financial management can ensure success of an enterprise. Financial management involves analyzing and forecasting financial needs, planning capital structure, rising of financial resources, ensuring proper use and accounting of the same. Financial planning is the process of formulating policies and strategies relating to the procurement, investment and administration of funds for the smooth functioning of an enterprise. The variables relating to managing finances are presented in Table 4.

Table 4. Selected Variables Relating to Managing Finances

Sl. No	Variable	Factor Loadings	Communality
1.	Helps in determining total finance required	0.912	0.875
2.	Helps in identifying appropriate sources	0.870	0.853
3.	Recommending finance for working capital	0.792	0.762
4.	Helps in maintaining accounting and budget	0.678	0.601

Source: Computed data

The analysis of the factor managing finances, the variable ‘helps in determining total finance required’ was the first highest factor with the loading of 0.912 and a high communality of 0.875 and ‘helps in maintaining book keeping and budget’ was the least factor with the loading of 0.678 and a low communality of 0.601.

Prospective entrepreneurs especially new for business seek guidance from supporting institutions to determine total finance required for the business for avoiding the consequences of over capitalization or under capitalization. They look out for appropriate sources to get short term and long term loans at a reasonable interest rate with the help of an institution.

Factor 4 Marketing of Products

Marketing though is essentially an entrepreneurial function, yet in today’s economic liberalization period, institutional support is need to small scale industries as small scale industries are facing challenges in marketing their goods and services. Marketing guidance and assistance is one such service, which is increasingly expected by the newly established small units in areas which are far away from developed cities.

The variables relating to marketing of products are presented in Table 5.

Table 5. Selected Variables Relating to Marketing of Products

Sl. No	Variable	Factor Loadings	Communality
1.	Institutions enable them to conduct market research	0.832	0.769
2.	Institutions help them for quality up gradation	0.737	0.740
3.	Institutions supply relevant market information	0.690	0.842
4.	Institutions help them in exporting their products	0.489	0.864

Source: Computed data

‘Institutions enable them to conduct market research ‘came first with the highest factor with the loading of 0.832 and a communality of 0.769 under factor ‘marketing of products’ and ‘institutions help them in exporting their products’ came last as the least factor with the loading of 0.489 and a high communality of 0.864.

Prospective entrepreneurs expect the institutions to create expert consciousness in the minds of entrepreneurs to enter into the international market and provide infrastructure facilities in marketing abroad.

Factor 5 Subsidies and Incentives

Subsidy is granted to an industry which is considered essential in the national interest. An incentive is basically a motivational force which makes a person take a decision which the entrepreneur might not have taken otherwise.

The variables relating to subsidy and incentives are presented in Table 6.

Table 6. Selected Variables Relating to Subsidies and Incentives

Sl. No	Variable	Factor Loadings	Communality
1.	Quantum of subsidy should be adequate	0.849	0.838
2.	Scheme should reach the prospective beneficiaries	0.832	0.867

Source: Computed data

As far as the factor subsidies and incentives are concerned, ‘quantum of subsidy should be adequate’ was the highest factor with the loading of 0.849 and a communality of 0.838. The factor loading and the communality of variable ‘scheme should reach the prospective beneficiaries’ were 0.832 and 0.867 respectively.

Entrepreneurs demand that the target group to whom the subsidy is to benefit should be clearly defined. Otherwise, in the actual implementation those who do not deserve the subsidy may get it. Information regarding the subsidy scheme should reach the prospective beneficiaries. The communication must be complete and clear.

Expectation Factors of the Prospective Entrepreneur

Selected Variables Relating to Expectations of the Prospective Entrepreneur are presented in Table 7.

Table7.Selected Variables Relating to Expectations of the Entrepreneur

Sl. No	Factor	Eigen Value	Percentage of Variance	Cumulative Percentage of Variance
1.	Financial assistance	9.247	33.027	33.027
2.	Entrepreneurial development programme	3.230	11.535	44.561
3.	Managing finances	3.022	10.791	55.353
4.	Marketing of products	2.116	7.556	62.908
5.	Subsidies and incentives	1.819	6.498	69.406

Source: Computed data

Kaiser-Meyer-Olkin measures of sampling adequacy = .588
 Bartlett’s Test of Sphericity: Chi-Square = 9404.427
 Degrees of freedom = 378
 Significance = 0.000

The Eigen value for the first factor financial assistance is 9.247, which indicates that the factor contains much higher information than the other factors. The percentage of variance is 33.027. Financial assistance provides maximum insights into the entrepreneur expectations among the entrepreneurs in the study area.

The second and third factors namely entrepreneurial development programme and managing finances account for 11.535 and 10.791 per cent variance with Eigen values of 3.230 and 3.022 respectively. The fourth and fifth factors namely marketing of products and subsidies and incentives account for 7.556 and 6.498 per cent variance with Eigen values of 2.116 and 1.819 respectively.

High value of Kaiser-Mayes-Olkin (KMO) test of sampling adequacy (0.588) indicates the correlation between the pairs of variables explained by other variables and thus factor analysis is considered to be appropriate in this model.

5. CONCLUSION

The State Government should come in a big way to liberalise its requirements and rules for grant of loans to socially and economically weaker section of the society irrespective of caste and creed. The supportive actions of the Government should create a conducive environment which finally leads to entrepreneurial growth. Government will continuously strive further to simplify the procedures for industrial approval and impose only such minimum controls as are considered essential.

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