

Analysis of Financial Problems Faced by the Entrepreneurs of Small Enterprises in Sindhudurg District

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Abstract: *Small enterprises are dynamic and vibrant constituent of Indian economy. The small enterprises sector acts as a backbone to appreciate the grass root of entrepreneurial talent. It has been providing employment opportunities at the local level. Small enterprises have solved the problems of poverty and unemployment to some extent. They need low investments, offer a method of ensuring a more equitable distribution of national income and facilitate effective mobilization of capital and skill. They stimulate the growth of industrial entrepreneurship and promote a more diffused pattern of ownership and location.*

Keywords: *Small enterprises*

1. Introduction

Small enterprises are dynamic and vibrant constituent of Indian economy. The small enterprises sector acts as a backbone to appreciate the grass root of entrepreneurial talent. It has been providing employment opportunities at the local level. Small enterprises have solved the problems of poverty and unemployment to some extent. They need low investments, offer a method of ensuring a more equitable distribution of national income and facilitate effective mobilization of capital and skill. They stimulate the growth of industrial entrepreneurship and promote a more diffused pattern of ownership and location.

Small enterprises contribute significantly to employment generation, dispersal of industrial activity to rural and backward areas, facilitating the all-round economic growth by value addition, ensuring the mobilization of local capital and developing entrepreneurial skills. Supply of finance is the most significant component for progress of any business activity. The entrepreneurs of small enterprises are challenged with a number of problems right from the beginning of their enterprises and these are insufficient credit facility, infrastructural bottlenecks, technology obsolescence and competitive environment etc.

Small business owners can obtain the operating cash they need from commercial banks, community banks, local rural banks and government-run financial institutions. Banks make important contribution in providing the entrepreneurial finance to small enterprises. Banks provide finance to entrepreneurs to establish a new unit, expand the business activities and diversify the business. The entrepreneurs can make good the insufficiency of funds by using the funds provided by the banks. It makes a decisive contribution in accomplishment of activities for which bank plays an important role in development of various areas of economy. It mainly provides required financial help for different sectors to develop in economy. But decentralized lending by commercial banks is not easy to evaluate as well as impact of that funding on economy is also difficult to evaluate.

The inadequate finance affects the viability of the small enterprise greatly, results in the sickness and ultimately closure. In the present study, the financial problems faced by the entrepreneurs of small enterprises in Sindhudurg are analysed.



2. STATEMENT OF THE PROBLEM

The supply of finance is most important component for the development of any business activity. The development of small enterprises is hampered by the lack of money. The researcher has focused on the financial problems faced by the entrepreneurs of small enterprises in the study area. The main objective of the banks is to easily provide adequate finance to small enterprises. But, scattered lending by commercial banks is difficult to evaluate. The impact of that funding on economy is also difficult to evaluate. The inadequate finance affects the viability of the small enterprise greatly. It may result in the sickness and ultimately closure. The present study attempted to analyse the financial problems faced by the entrepreneurs of small enterprises in the study area. This factor is having impact on financial stability the small enterprises and it leads to economic development of the country.

3. OBJECTIVES

To Analyse the Financial Problems faced by the Entrepreneurs of Small Enterprises in the study area.

4. HYPOTHESES

H₀: The Entrepreneurs of Small Enterprises are Not Facing any Financial Problems in the study area.

5. METHODOLOGY

The research methodology of this research paper comprises of collecting the data from primary sources and secondary sources. The primary data are collected with specific reference to the financial problems faced by the entrepreneurs of small enterprises in the study area. All the necessary secondary data were collected from library study such as books, magazines, journals, periodicals, newspapers and websites. In the present study, financial problems faced by the entrepreneurs of small enterprises is tested by yes of no question. A sample of 76 respondents has been selected.

The primary data were collected from seventy-six entrepreneurs of small enterprises in Sindhudurg district, who have registered their units with the District Industries Centre, Sindhudurg. Parameter used is the financial problems faced by the entrepreneurs of small enterprises in the study area. Accordingly, interpretations and inferences were drafted.

6. SIGNIFICANCE OF THE STUDY

Entrepreneurs of small enterprises can obtain the needed operating funds from commercial banks, community banks, local rural banks and government-run financial institutions. This research paper helps to understand the financial problems faced by the entrepreneurs of small enterprises. This paper is useful for the students, the teachers and the managers of educational institutions to understand the financial problems of entrepreneurs of small enterprises. It is also useful to the policy makers like government for formulating favourable policy to understand the financial problems faced by the entrepreneurs of small enterprises. Research scholars can also use this paper for further research. Thus, all the stakeholders will come to know more about the financial problems faced by the entrepreneurs.

7. LIMITATIONS OF THE STUDY

The paper is limited only to the financial problems faced by the entrepreneurs. The primary data were collected in November and December, 2026. This paper is based on the perceptions given by the entrepreneurs of small enterprises in Sindhudurg district. Required secondary data is collected from books, journals, reports, newspapers and websites.

8. ANALYSIS AND INTERPRETATION

The small entrepreneurs in study area have faced many financial problems while running business activities. The inadequate finance affects the viability of the small enterprise greatly, results in the sickness and ultimately closure. In the present study, the financial problems faced by the entrepreneurs of small enterprises in Sindhudurg are analysed. The financial problems of small enterprises are confined to shortage of working capital, shortage of fixed capital, high



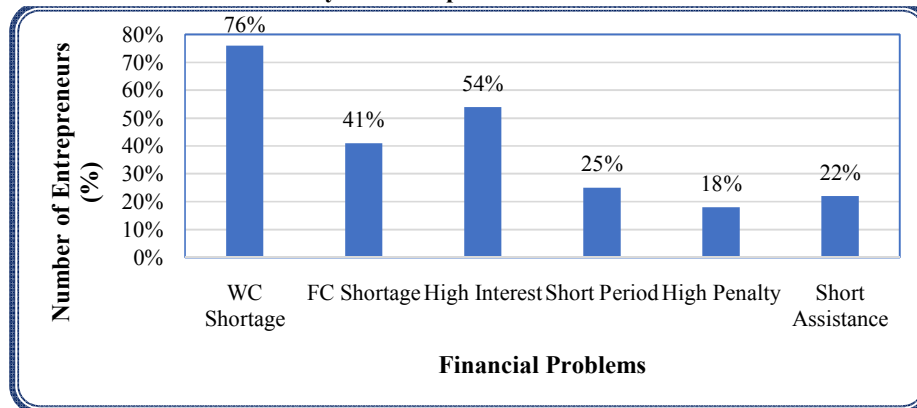
rate of bank interest, short repayment period, high penalty for defaulting and short assistance from government. A sample of 76 respondents has been selected and data collected from them have been organized in the following table for analysis.

Table 1: The Financial Problems faced by the Entrepreneurs

S. N.	Particulars	WC Shortage		FC Shortage		High Interest		Short Period		High Penalty		Short Assistance	
		No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
a) On the Basis of Location													
i	Devgad	6	86	4	57	5	71	0	0	2	29	2	29
ii	Vaibhavwadi	2	100	2	100	2	100	0	0	0	0	0	0
iii	Kankavali	15	83	10	56	14	78	5	28	7	39	3	17
iv	Malvan	2	100	0	0	2	100	0	0	1	50	0	0
v	Vengurla	1	50	0	0	0	0	0	0	0	0	0	0
vi	Kudal	23	70	10	30	14	42	12	36	4	12	10	30
vii	Sawantwadi	7	70	5	50	3	30	2	20	0	0	1	10
viii	Dodamarg	2	100	0	0	1	50	0	0	0	0	1	50
	Total	58	76	31	41	41	54	19	25	14	18	17	22
b) On the Basis of Type of Organisation													
i	Proprietary	39	81	24	50	27	56	12	25	10	21	12	25
ii	Partnership	7	58	3	25	5	42	2	17	3	25	1	8
iii	Pvt Ltd Co.	12	75	4	25	9	56	5	31	1	6	4	25
	Total	58	76	31	41	41	54	19	25	14	18	17	22
c) On the Basis of Nature of Activity													
i	Manufacturing	32	76	17	40	22	52	12	29	4	10	10	24
ii	Service	26	76	14	41	19	56	7	21	10	29	7	21
	Total	58	76	31	41	41	54	19	25	14	18	17	22

Source: Primary Data. Note: Multiple Responses.

Graph 1 : The Financial Problems Faced by the Entrepreneurs



The table 1 and graph 1 show the financial problems faced by the entrepreneurs of small enterprises in Sindhudurg district. It is observed that majority of the entrepreneurs (76%) of the small enterprises are facing the problem of shortage of working capital, followed by high interest rate charged by the bank. Majority of the entrepreneurs having proprietary business (81%) and the private limited company (75%) and most of the entrepreneurs of the partnership



firms (58%) are also facing the problem of shortage of working capital. Majority of the entrepreneurs of the manufacturing units (76%) and the service sector units (76%) are also facing the problems of shortage of working capital. It is inferred that the entrepreneurs of small enterprises are facing the common financial problems like shortage of working capital, high interest rate etc. both in case of manufacturing and service sector enterprises.

9. HYPOTHESIS TESTING

In the present study, the researcher has made an attempt to understand the finance related problem faced by the entrepreneurs of small enterprises. Through literature review and discussion with the entrepreneurs, the potential problems were identified so as to incorporate in the questionnaire. The response options were Yes and No type, where close ended questions were framed. The list of the statements is given in the respective tables. The researcher has framed following statistical hypotheses:

H_0 : The entrepreneurs of small enterprises do not face the finance problems significantly.

H_1 : The entrepreneurs of small enterprises face the finance problems significantly.

$H_0: p = 50$ $H_1: p > 50$

This null hypothesis is tested by using Z test in the following table:

Table 2 : Analysis of Finance Related Problems

Problems Statement	p	q	n	Standard Error of p	Observed Sample Finance Problem Faced P [^]	Calculated Z value	Accept /Reject H ₀
a) Shortage of working capital	58	18	76	0.057	0.76	4.58831	Reject
b) Shortage of fixed capital	31	45	76	0.057	0.40	-1.6059	Accept
c) High rate of bank interest	41	35	76	0.057	0.53	0.68825	Accept
d) Short repayment period	19	57	76	0.057	0.25	-4.3589	Accept
e) High penalty for defaulting	14	62	76	0.057	0.18	-5.506	Accept
f) Short assistance from Government	17	59	76	0.057	0.22	-4.8177	Accept

Source: Primary data

Test Results:

The test result indicate that the entrepreneurs of small enterprises do not face the finance problems significantly in terms of b) shortage of fixed capital ($Z = -1.6059$ Accept null hypothesis) c) high rate of bank interest ($Z = 0.68825$ Accept null hypothesis), d) short repayment period ($Z = -4.3589$ Accept null hypothesis), e) high penalty for defaulting ($Z = -5.506$ Accept null hypothesis) and f) short assistance from government ($Z = -4.8177$ Accept null hypothesis). On all these parameters computed Z value is lesser than critical Z table value of 1.64.

However, the entrepreneurs of small enterprises faced significant problem in terms of a) shortage of working capital ($Z = 4.58831$ Reject null hypothesis) as computed Z value is greater than critical Z table value of 1.64. It is inferred that the entrepreneurs of small enterprises face the problem of shortage of working capital significantly. From the above, it can be said that **the hypothesis the entrepreneurs of small enterprises do not face the finance problems significantly, stands accepted.**

On the basis of the results of hypothesis testing, it can be inferred that out of finance related problems, only one problem i.e., shortage of working capital is significantly faced by the entrepreneurs. Therefore, it can be concluded that the entrepreneurs of small enterprises do not face the entrepreneurial finance problems significantly.

10. FINDINGS AND SUGGESTIONS

It is observed that the majority of the entrepreneurs of the small enterprises are facing the problem of shortage of working capital, followed by high interest rate charged by the banks. The entrepreneurs of small enterprises have several options to overcome the problem of working capital shortage. They can approach the banks for additional funds



for meeting working capital needs in the business. They may prefer the credit facility to overcome the problem of working capital shortage. The main sources of the funds for small enterprises are the banks. There is need to have consultancy services for small enterprises' sector so that the entrepreneurs can get expert advice for solving their financial problems. Government should provide vocational education and financial assistance to these people through special schemes. This will help to increase participation in this field and can become successful in their business. Government agencies should maintain necessary coordination with the banks and other financial institutions. This will help in distributing subsidy and loan through government programs to targeted group and weaker sections in the society. This will lead to start the new small enterprises in the study area.

11. CONCLUSION

Shortage of working capital is a common phenomenon experienced by every small enterprise. This arises due to lack of proper planning, increase in cost of raw material, labour and low demand for the product. The small enterprises provide the employment to the society and bring prosperity in the nation through industrial and socio-economic development. The small enterprises can be developed by providing financial support on regular basis. Above mentioned suggestions or recommendations, if taken into account seriously and implemented properly, it will not only help to improve the role of the banks in the study area, but also strengthen the relation between the banking institutions and the entrepreneurs of small enterprises.

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