



Financial Skills Enabled Entrepreneurial Orientation across Entrepreneurs in Haryana Export Clusters

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Abstract: *Financial skills and accounting skills across new emerging start-ups and small to medium entrepreneurs is a matter of critical research. The organizational survival and resilience relies on owner's skills to cope up, to allocate and to mobilise and leverage the scarce financial resources. The study hence operationalized the topic with 'perceived record keeping', 'perceived financial data preparation', 'budgeting', 'engaging with financial institutions', 'revenue generation', 'engaging with regulators' and 'financial skills for entrepreneurial orientation'. A total of 350 registered MSME enterprises with state government were considered for research. The study received 205 valid and complete responses only. The CFA model validation signified good model fit indices with the values $\chi^2 / df = 2.8$, CFI = .905, GFI = .944, AGFI=.904, NFI = .956 and RMSEA= .03. The research vindicated support for hypothesis and shared the need for vibrant measures for enhancement of financial skills of entrepreneurs.*

Keywords: Financial Skills, Entrepreneurial Orientation, Startups, SEM, Export clusters, Haryana, Atam Nirbhar Bharat

I. EXPORT CLUSTERS AND PENCHANT FOR FINANCIAL SKILLS OF ENTREPRENEURS

The state's cluster approach to industrial development (Delgado, Stern, 2010) has been evident across the core regional manufacturing and services related talent mapping vis a vis the resource availability. The industrial policy promoted 'cluster approach' entails the linkages to the market and related infrastructure that are vital for the product or service to reach its ultimate consumers (Kapur, Dawar, Ahuja, 2014). The regional industrial clusters (Menzel, 2009) are witnessing export oriented thrust (Balabanis, 2003) across the entire North Indian economic geography (Roxas, 2006). Ever since the emergence of Porter's academic interest (Porter, 1979) in the industrial clusters (Haryana cluster map in the end), these geographic agglomerations are again and again being viewed as crucial with regard to entrepreneurial development (Pavel, Moldovan, 2019) and sustenance of firms (Senyolo, 2009) in globalizing production systems (Tan, Goyal, Savchenko, 2007). The review of existing literature (Batra, 2000) with regard to evolving role of industrial clusters (Porter K., 2006) repeatedly points towards the growing significance of clustering of production (Baporikar, 2017) in sustaining the competitiveness (Basant, 2002). Despite the thrust by RBI, export import bank and policy framework, the levels of financial skills, respective awareness and financial learning is dismal (Gulsia, Yadav, 2022).

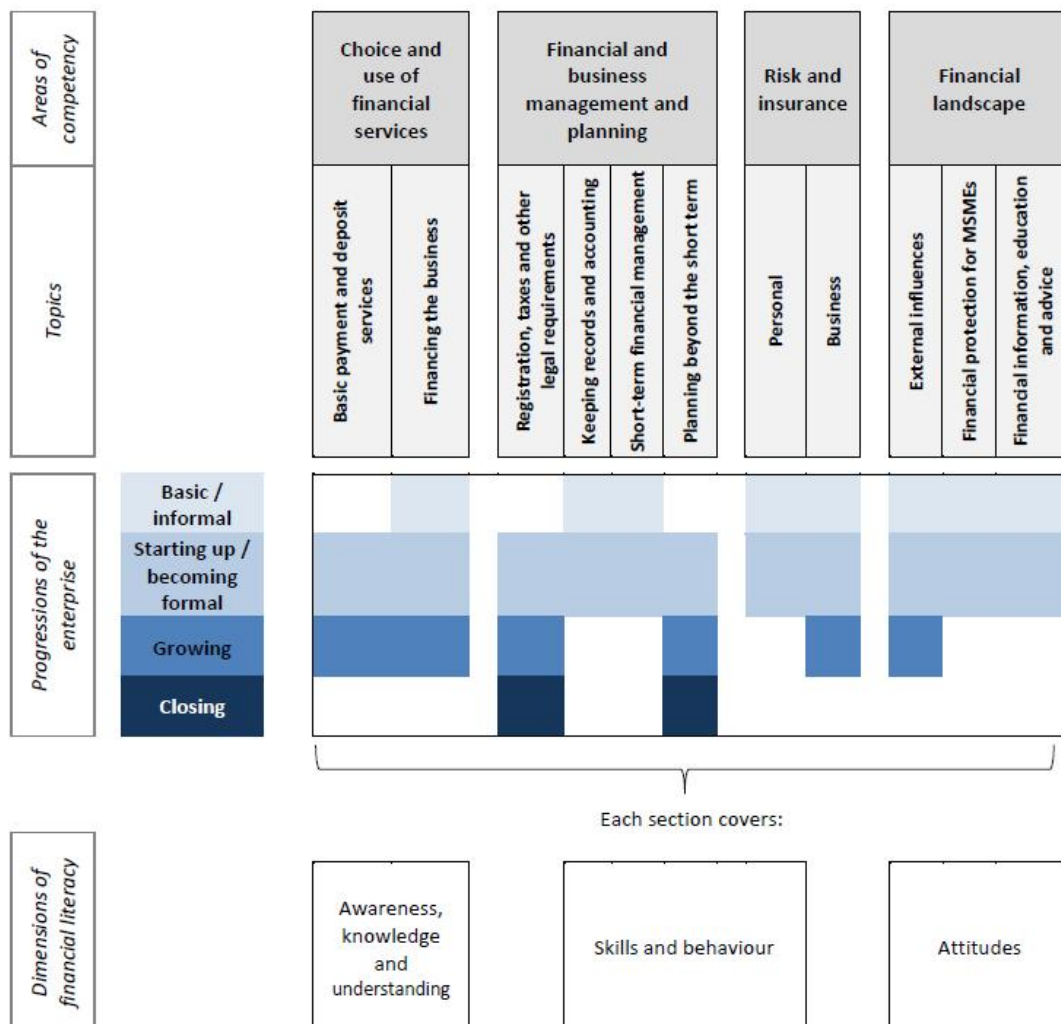
II. RESEARCH OPERATIONALIZATION

The research construct 'financial skills enabled entrepreneurial orientation' is being developed, validated and refined in line with literature from OECD, WB and existing studies on subject matter. The research hence is sought to be operationalized with the 5 point likert scale and scale based responses will be subject to extractive factor analysis and subsequent structural equation modelling assessment. The dimensional validity and scale based refinement is to be incorporated to ascertain the factor based linkages (Gochhait, Pokharnikar, 2020) and evolve a research model (Ecker, Lewandowsky, 2022). As a multi-dimensional research construct, financial skills enabled entrepreneurial intent (Hashimoto, Nassif, 2014) could comprise the knowledge of financial concepts (Aeeni, Motavaseli, Sakhdari, Dehkordi,



2019), inherent capability to apprehend the financial concepts (Rouwelaar, 2018), ability to understand and manage finances, lateral skills to make financial decisions vis a vis current monetary circumstance (Wardana, Mahendra, Narmaditya, 2020). A section of studies (Anshika, Singla, 2022) emphasizes the revenue generation impetus as critical to the survival game (Henrekson, Sanadaji, 2019). Entrepreneur's financial education (Mitra, 2021) is a stream of study that nurtures entrepreneurial orientation (Afiouni, Makarem, 2020) in young students and budding enterprise developers alike (Parthasarthy, 2005). The focus in entrepreneurial financial dexterity development (Bateman, Snell, 2004) and financial skilling (Aruna, 2017) is on development of innovative competencies, autonomy skillsets, proactive decision making impetus (Hamel, 2005), risk taking tendencies (Jiang, Messersmith, 2018) enhancement across curriculum up take. The study however assume the OECD matrix for MSME as base for the competencies (Chen, Liu, 2021) that determine and develop the small scale entrepreneur's financial resolve and skills (OECD, 2018).

Figure 1: OECD matrix of financial awareness and skills for MSME entrepreneur



Source: (OECD, 2018)

The OECD matrix revolves around aspects of awareness, knowledge and understanding of entrepreneur with regard to basic payment (Henrekson, Sanadaji, 2019), deposit services (Coltman, 2008), choice of the financing mechanisms (Gadanecz, Jayaram, 2008), registration, compliance and financial cost management perspectives (Afiouni, Makarem,



2020). This also includes the aspects of record keeping, balance sheet based asset and liability perspectives and the accounting notions (Andriuta, 2013). The matrix as presented in figure in sections below adequately maps the financial skills desired across phases of MSME growth (Gugloth, 2011), maturity (Coltman, 2008), start-up phase and resilience and revival phase. The MSME entrepreneur's self-guided impetus (Heuvel, 2009) with regard to record keeping, with regard to financial data preparation, financial data analysis, budgeting and planning, revenue generation, engaging with the banks and creditors, engaging with the industry regulators; all seem to matter while thinking about financial skills essential to be an entrepreneur.

III. METHODS AND APPROACH

The sample frame comprises the 205 individual in age group 20 to 45. The study is based on the perceptions of the individual who were. Secondly these individual entities must have undertaken registration with MSME website. Further the sample frame comprises the cluster bound MSME establishments that operate in any of the pre decided sectors or the clusters spread across the state territory. Various criteria were used to segregate the most suitable for the research study. The study relied on random sampling and attracted a valid sample size of 205 respondents. The study comprised the MSME entrepreneurs from across Panchkula district (software cluster, electronic cluster), Karnal district (dairy cluster, plastic cluster, signage cluster, agro feed cluster, Ayurveda cluster, Yamunagar district, Ambala district (sheet metal cluster, general engineering cluster, electronic cluster, kitchen appliance cluster) and Kurukshetra district (agri implements cluster, cattle feed cluster). MSMEs operating in Haryana state perspective were selected on basis of purposive sampling methodology and food clusters, agricultural processing enterprises, dairy and milk processing based enterprises, mechanical and electric goods and cable manufacturing enterprises and entrepreneurs were shortlisted. The clusters, industrial development zones and industrial area based units were considered for research and district based MSME offices were screened for list. A total of 350 registered MSME enterprises with state government were considered for research. The study received 205 valid and complete responses only. The study hence operationalized the topic with 'perceived record keeping', 'perceived financial data preparation', 'budgeting', 'engaging with financial institutions', 'revenue generation', 'engaging with regulators' and 'financial skills for entrepreneurial orientation'.

IV. ANALYSIS

The extractive factor analysis methodology comprising KMO Test (For data Adequacy), EFA (For extraction of loading variables or sub scale items and reduction of data), Reliability Assessment with Cronbach Alpha, Correlation Assessment were leveraged (Conway, 2003). The study leveraged the IBM software SPSS version release 24.0 for the conduct of empirical calculations, validity assessment and reliability exploration. The factor structure was examined with aid of factor analysis (Bagozzi, 1988) and subsequent tests like variance examination, Scree plot analysis and pattern matrix determination. The study leveraged the factor analysis methodology as a tool for exploring the representing dimensions of the factors assumed for the analysis. The extractive factor analysis facilitates the evaluation of the dimensions as well as leads to dimensional validity assessment with regard to data as collected from the Likert based scales.

4.1 Model Fit Indices

The CFA model validation signified good model fit indices with the values $\chi^2 / df = 2.8$, CFI = .905, GFI = .944, AGFI=.904, NFI = .956 and RMSEA= .03. Hence CFA model of cognitive biases can further be tested for structural relationship. The aforesaid observations are in line with existing trends and reported benchmarks. The structural impact modeling on factor basis revealed the incidence of financial skills as exerting considerable and statistically significant impact on financial skills derived entrepreneurial orientation development.

The C.R. in AMOS (critical ratio) is the most observed basis for examination of the statistical significance of the structural equation modeling calculations. The most acceptable values for C.R. are +/- 2.58. This establishes statistical significance at $p < 0.01$ levels of estimation. It is found that there is significant regression across the construct of



recordkeeping and the construct of financial skills (standardized estimates = 0.17, C.R.=4.757). Hence H1 stands vindicated. In relation, the construct of financial data preparation was observed to lead to significant change in sense of financial skills (standardized estimates = (-) 0.359, C.R. = 10.061). Hence H2 stands vindicated. The research also observed that there is significant regression across the construct of revenue generation and the construct of financial skills (standardized estimates = 0.139, C.R. = 3.910). Hence H3 stands vindicated. In association, the construct of engagement with banks was observed to lead to significant change in financial skills (standardized estimates = 0.243, C.R.=6.817). Hence H4 stands vindicated. The research also observed that there is significant regression across the construct of engaging with regulators and the construct of financial skills(standardized estimates = 0.458, C.R. = 12.839). Hence H5 stands accepted. The likewise maximum likelihood estimates are summarized here under:

Table 1: Standardized Regression Weights: (Group number 1 - Default model)

	Estimate
SKILLS_EO <--- RECORD_KEEP	.170
SKILLS_EO <--- FIN_DATA_PREP	-.359
SKILLS_EO <--- REV_GEN	.139
SKILLS_EO <--- ENG_BANK	.243
SKILLS_EO <--- ENGAGING_REGULATORS	.458

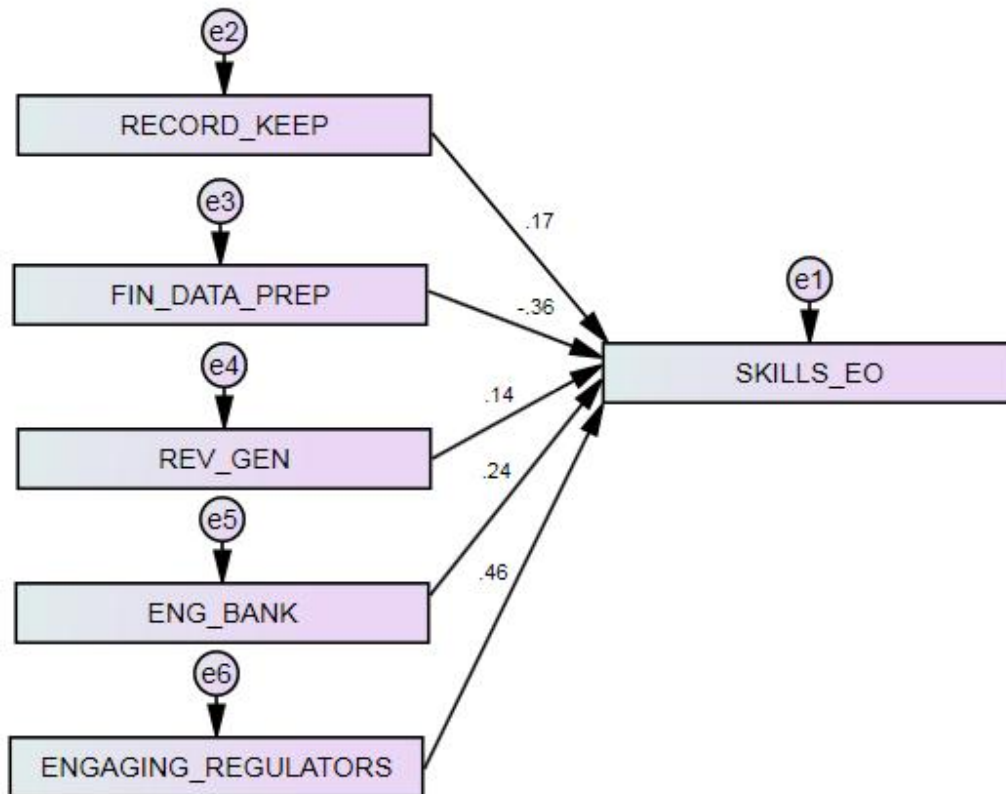


Figure 2: Path relationships in SEM

4.2 Implications

The research addresses the need to become serious about learning, knowledge sharing and knowledge dissemination and enhancement of financial prowess across budding MSME entrepreneurs. The receptive state government and intent



to formulate policies for welfare of MSME entrepreneurs could be a welcome step yet financial preparedness is more than required to build sustainable and financially viable enterprises. The study based outcomes will necessarily highlight the need for market based learning instead of pure text book based learning. The financial skills derived entrepreneurial orientation could enable the policy makers to focus more on the financial skilling (Horvath,Szabo, 2019), development of measures for inclusion of financial viability instead of letting entrepreneurs to suffer financially.

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