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ASSESSMENT OF SOURCES AND FINANCIAL PROBLEMS FACING BY THE ENTREPRENEURS RUNNING MSMEs IN CHENNAI

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Abstract

The significant contribution of Micro, Small, and Medium Enterprises (MSMEs) to both social and economic development is generally recognized. Despite making a substantial contribution to the Indian economy, the sector in question encounters numerous obstacles, with money being the primary impediment. The expansion of Micro, Small, and Medium Enterprises (MSMEs) is contingent upon their ability to obtain timely and sufficient credit at a fair rate. Financial Institutions have restricted their involvement in this sector due to the relatively small loan amounts, increased expenses associated with servicing this segment, and limited capacity to offer immovable collateral. The Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) has played a significant role in India by offering Credit Guarantees to Micro & Small, Enterprises (MSEs) since its establishment in 2000. Despite the presence of many obstacles from both Bankers and Financial Institutions the continues to face challenges in obtaining loans in a timely and sufficient manner. The main focus of this study is to study the sources to get finance to run the business and to identify the problems faced by the entrepreneurs running MSMEs in Chennai. A sample of 103 entrepreneurs was selected for the study and this study falls under descriptive type. Questionnaire is considered as study instrument, Convenience sampling method is used to select the respondents for the study. Descriptive measures and one-way ANOVA are the statistical tools applied. Reliability of the study sounds with 0.829 (82.9%). SPSS v23 is used to perform the data analysis. Entrepreneurs responded that their own capital resources are the prime source of running the business. Financial issues have badly affected the entrepreneur's profitability which is the key issue faced by the entrepreneurs. Entrepreneurs in the age group of below 30 years, without any Educational Qualification and having an experience of less than one year are facing more financial problems.

Keywords: MSME Sector, Sources, Problems to Access of Finance.

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) significantly contribute to the economic development and employment generation of a nation. On a global scale, Micro, Small, and Medium Enterprises (MSMEs) play a significant role by generating over 50 percent of employment opportunities and contributing at least 35 percent to the overall Gross Domestic Product (GDP). In emerging economies, Small and Medium-sized Enterprises (SMEs) are responsible for generating 70% of formal employment opportunities. Moreover, in certain low-income nations, this proportion increases to 90%, indicating the significant role played by SMEs in job creation. The user's text is too short to be rewritten academically. Given the imperative to create 600 million additional jobs within the next 15 years to accommodate the expanding labor force and alleviate unemployment, the

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promotion of Micro, Small, and Medium Enterprises (MSMEs) has emerged as a prominent concern for Governments in both emerging and established nations.

The Micro, Small, and Medium Enterprises (MSMEs) sector has evolved as a dynamic and vibrant component of the Indian economy. The promotion of entrepreneurship and the creation of employment possibilities have made a substantial contribution to the economic and social growth of the country. The evolution of Micro, Small, and Medium Enterprises (MSMEs) and the subsequent modifications in their organizational framework have played a significant role in fostering job creation, expanding market opportunities, and promoting overall economic growth. Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in driving the socio-economic development of India. They have a remarkable role in creating employment opportunities, driving innovation, promoting exports, and facilitating inclusive economic growth. Moreover, it is worth noting that they constitute 45% of the whole industrial production and contribute to 40% of the total exports. In India, the Micro, Small, and Medium Enterprises (MSMEs) can be classified into two distinct categories: manufacturing and service sectors. These segments provide momentous contributions to the country's Gross Domestic Product (GDP), accounting for 7.09% and 30.50% respectively. Hence, MSMEs make up a significant portion of the Gross Domestic Product (GDP), accounting for 37.54% of the total. The importance of Micro, Small, and Medium Enterprises (MSMEs) lies in the fact that the Government of India (GoI) introduced the MSMEs Act in 2006 to establish a conducive regulatory framework for developing and advancing this sector. The Act establishes a structure for the advancement and augmentation of competitiveness among Micro, Small, and Medium Enterprises (MSMEs). The measure was implemented in order to facilitate the availability of financing to the sector. Additionally, it aims to facilitate Government procurement of products and services from Micro, Small, and Medium Enterprises (MSMEs) and tackle the problem of delayed payments, among other objectives. Hence, it was anticipated that the legislation would remove significant obstacles pertaining to physical infrastructure limitations, lack of formalization, acceptance of technology, development of capabilities, establishment of backward and forward connections, limited access to credit, and the persistent issue of delayed payments, among others. Nevertheless, these challenges continue to impede the progress of creating a favorable business climate for the growth and expansion of this industry.

REVIEW OF LITERATURE

Based on the findings of the International Finance Corporation (2012), it has been projected that the financial resources allocated to the Micro, Small, and Medium Enterprises (MSMEs) sector in India amount to approximately 32.5 Trillion INR The aforementioned sum encompasses the amalgamation of funds derived from informal financial sources, formal financial institutions, and personal financial resources. The industry receives a significant contribution of Rs.25.5 trillion from informal sources and self-financing, with informal finance alone accounting for Rs.24.4 trillion. To clarify, it can be stated that informal sources and self-finance account for 78% of the financial resources utilized by Micro, Small, and Medium Enterprises (MSMEs). The remaining

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22% (equivalent to Rs.6.9 trillion) is sourced by banks and non-banking financial companies (NBFCs), with banks accounting for the majority share (91.8%). The financial services provided by banks may not adequately meet the needs of early-stage small and medium-sized companies (SMEs). Multiple factors impede the facilitation of bank loans to nascent small and medium enterprises (SMEs) in India. Early-stage small and medium-sized enterprises (SMEs) typically lack a well-established credit history and exhibit volatile equity patterns. According to Yoshino and Taghizadeh-Hesary (2015), banks play a crucial role as the primary external funding provider for small and medium-sized enterprises (SMEs) in the Asian region. This is mostly due to the underdeveloped nature of the region's financial institutions and capital markets, which are predominantly influenced by banks. Regrettably, Micro, Small, and Medium Enterprises (MSMEs) globally encounter challenges in obtaining loans from established financial institutions. According to Biswas (2014), the availability of non-bank external financing options is both expensive and restricted, presenting a significant obstacle for small and medium-sized enterprises (SMEs). However, such access is crucial for the sustenance of long-term prospects and objectives. Furthermore, these external lending products necessitate the provision of collateral and are characterized by elevated pricing. Small and Medium Enterprises (SMEs) tend to rely on financial assistance from Non-Banking Financial Companies (NBFCs) and informal sources, often at elevated interest rates, especially during their initial phases of operation. The prevalence of the informal sector in meeting the financial needs of Micro, Small, and Medium Enterprises (MSMEs) can be attributed to the inherent constraints associated with conventional sources of financing. Yadav (2014) underscored the significance of leadership and talent management in the banking sector, particularly in relation to ensuring a continuous flow of credit. It is imperative for banks to actively engage in providing counseling services to entrepreneurs, encompassing both financial and non-financial matters.

Singh and Wasdani (2016) propose a categorization of the life stages of an enterprise into four distinct phases, namely the Start-up stage, Survival stage, Growth stage, and Sustenance stage. Start-up enterprises typically rely on personal resources, as well as financial contributions from friends and family, largely to get operating capital. In addition, public sector banks are utilized for the purposes of obtaining operating capital and collateral financing. Organizations in the survival stage aim to achieve a point of financial equilibrium in relation to their investments. Consequently, they strive to fulfill their specific needs by utilizing a combination of informal and formal sources. During the growth stage, enterprises typically rely on public banks to secure operating capital and collateral financing, while private banks are utilized for obtaining short-term loans. The shift towards private banks may be attributed to heightened financial requirements and an enhanced capacity of firms to bear the augmented cost of financing at this juncture. Enterprises at the Sustenance stage typically rely on personal savings,

Co-operative banks, public banks, and loans obtained from acquaintances, mostly to meet their working capital requirements. In addition to their primary function, co-operative banks were utilized for the provision of short-term loans and collateral financing. Chowdhury and Alam (2018) did a primary data study in Bangladesh with the objective of

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investigating the factors that influence the financing of Micro, Small, and Medium Enterprises (MSMEs). The research discovered that various factors related to firms, such as their age, size, type of business, and ability to provide collateral, as well as financial factors including their capacity and willingness to repay loans, ability to present a business plan, current capital status, interest rate, and initial capital investment, along with entrepreneurial characteristics such as educational background, managerial competency, and networking, all have an impact on the ability of firms to obtain financing.

As stated by the Expert committee on MSMEs (2019) established by the Reserve Bank of India, it is crucial to prioritize market facilitation and the promotion of ease of doing business for Micro, Small, and Medium Enterprises (MSMEs) in light of the current circumstances. In its capacity as a nodal agency, SIDBI should ideally assume the position of a facilitator in establishing platforms that enable the participation of several Venture Capital Funds. This would thereafter provide a multiplier effect in terms of equity support for Micro, Small, and Medium Enterprises (MSMEs). It is recommended that the establishment of a Government-sponsored Fund of Funds (FoF) be considered as a means to incentivize venture capital (VC) and private equity (PE) firms to participate in the Micro, Small, and Medium Enterprises (MSME) sector. The Committee proposes the establishment of a Distressed Asset Fund, endowed with a capital of ₹ Rs.5000 Crore, designed to provide support to clusters of units that have experienced a significant number of MSMEs turning into non-performing assets (NPAs) due to external factors such as a ban on plastics or the practice of 'dumping'. The utilization of credit guarantee serves as a significant risk management mechanism that offers protection to lenders when extending loans to micro and small enterprises (MSEs). At present, the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) and the National Credit Guarantee Trustee Company (NCGTC) have formulated credit guarantee programs specifically tailored for loans extended to Micro and Small Enterprises (MSEs). Nevertheless, the regulation currently does not encompass these entities. Hence, it is advisable that the regulation and supervision of all Credit Guarantee Schemes be placed under the purview of the Reserve Bank of India (RBI). When formulating the regulatory and supervisory standards, the Reserve Bank of India (RBI) might refer to the widely recognized principles established by the World Bank Group for the design, implementation, and evaluation of Public Credit Guarantee Schemes for Small and Medium Enterprises (SMEs). The study conducted by Wasiuzzaman et al. (2020) investigated the influence of links between small and medium enterprises (SMEs) and larger organizations on the credit worthiness and financial accessibility of SMEs in Malaysia. The study conducted an examination of a representative sample of 456 small and medium-sized enterprises (SMEs) operating in the manufacturing sector. The findings of the study indicate a positive and statistically significant association between creditworthiness and access to funding, both with and without the presence of linkages to major organizations. Nevertheless, the association between small enterprises and larger firms does not exert a substantial influence on the availability of financial resources.

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Sources of MSME Finance

In India, the provision of MSME funding can be categorized into two distinct sources. The non-institutional category encompasses loans obtained from local money lenders, as well as from friends and relatives, who typically impose a high rate of interest. Another aspect to consider is the institutional dimension. The Reserve Bank of India regulates the institutional lending to Micro, Small, and Medium Enterprises (MSMEs) in India. This includes various entities such as Scheduled Commercial Banks (Public Sector Banks, Private Sector Banks including Small Finance Banks, Foreign Banks, Co-operative Banks, and Regional Rural Banks) as well as Non-Banking Financial Companies, including NBFC-MFIs (Micro Finance Institutions). Furthermore, the Securities and Exchange Board of India (SEBI) is responsible for overseeing the activities of various financial institutions involved in the provision or facilitation of finance to Micro, Small, and Medium Enterprises (MSMEs). These institutions include SME Exchanges, Angel Investors, Venture finance firms, and Private Equity firms. Apex institutions such as the Small Industries Development Bank of India (SIDBI) and the Micro Units Development and Refinance Agency (MUDRA) offer sector-specific assistance and operate under the jurisdiction of the Central Government. Micro, Small, and Medium Enterprises (MSMEs) rely on various sources depending on their specific requirements at different points in time. According to the findings of the fourth census of Micro, Small, and Medium Enterprises (MSME), a mere 5.18% of the units, encompassing both registered and unregistered entities, had accessed financial resources from institutional sources. Additionally, a meager 2.05% of units obtained finance from non-institutional sources, while the bulk of units, specifically 92.77%, either lacked financial assistance or relied on self-funding. Despite the recent increase in funding allocated to Micro, Small, and Medium Enterprises (MSMEs), it is projected that there remains a significant credit gap of INR 25.8 trillion (USD 397 billion) in the MSME sector. This credit gap represents the amount that can be feasibly financed by formal financial institutions in the foreseeable future.

Finance Used by MSMEs in Different Stages of the Life Cycle

The survey findings unveiled the primary financial necessities of Micro, Small, and Medium Enterprises (MSMEs) across all stages of their life cycle, as well as the prevailing sources of funding employed to fulfill those demands. Enterprises were not limited solely to reporting data pertaining to their present life cycle stage, but were also able to report perceptions and experiences related to other stages. The values have been calculated as the proportion of firms that have reported the sources of finance utilized at various stages. Hence, the aggregate count of reporting enterprises will deviate from the overall count of enterprises inside the sample. The enterprises in the initial stage has reported utilizing cash from personal and familial sources, as well as from friends and public banks, primarily for the purpose of working capital. Another frequently cited application of institutional sources involved the utilization of public banks for the purpose of collateral financing. This suggests a significant level of readiness or risk aversion, or possibly both, when embarking on a business venture. Enterprises in the survival stage primarily requested financial help for the purposes of working capital, short-term loans, and

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overdrafts. The primary sources of financing for working capital were predominantly Public Sector Banks and moneylenders, with personal funds and Private Sector Banks being secondary options. In addition, Private Sector Banks were utilized for the purpose of obtaining short-term loans and overdraft capabilities. Enterprises also indicated utilization of moneylenders, albeit at a lesser degree. The tendency to rely on formal sources or reputable informal sources appears to persist, as observed in the reports provided by firms in the initial stages of development. Organizations in this phase would be seeking to settle their obligations, necessitating the seamless operation of daily activities and sufficient access to operating cash to support this objective.

During the growth stage, enterprises necessitate working capital, collateral finance, and short-term loans. The acquisition of working capital was obtained from several sources, including Public Sector Banks, personal and familial sources, and to a lesser extent, Private Sector Banks and Co-operative banks. Collateral finance was acquired from Public Sector Banks, with a comparatively smaller proportion originating from Co-operative banks. Short-term loans were commonly acquired through private and cooperative banks, with occasional references made to the utilization of money lenders. This observation suggests that firms prioritized their individual financial requirements and the necessary resources to meet them. The prevalent utilization of public banks as a means of collateral financing, as well as the reliance on the banking system and familial assets to fulfill working capital requirements, are evidence of the significant role that trust plays in obtaining this form of financial support. Given that cooperative banks have been identified as a potential means to address various financial requirements of firms during this phase, it is imperative to assess whether the policies and procedures of these banks are favorable to facilitating prompt access to short-term financing, which is crucial for enterprises in the growth stage.

Enterprises at Sustenance stage indicated the utilization of financial resources from personal funds, cooperative banks, public banks, and Private Financiers to support their working capital requirements. Co-operative banks were additionally utilized for the purpose of collateral financing and obtaining short-term loans. At this stage, firms appear to prioritize working capital, collateral finance, and short-term loans as key requirements. This observation reinforces the previously mentioned pattern of firms relying on money obtained from sources that are widely regarded as trustworthy. In this phase, an organization would opt to secure loans from sources with established affiliations and a high level of trustworthiness. At this juncture, enterprises have shown a prevalent reliance on Co-operative banks for the purposes of working capital, collateral financing, and short-term loans. It would be of scholarly interest to investigate the underlying factors contributing to this prevailing trend.

Enterprises throughout various stages of the life cycle showed a lack of utilization of several sources of capital. Enterprises throughout all four stages refrained from accessing funding opportunities provided by angel investors, fellow entrepreneurs, foreign banks, initial public offerings, pawnbrokers, and venture capitalists. During the survival stage, firms had a higher prevalence of untapped financial resources compared to earlier stages.

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This observation implies that enterprises in this stage displayed a cautious approach towards risk and were focused on achieving a breakeven point with their current level of investment, which had been previously funded by alternative sources.

Problems/ Constraints in MSME finance

In addition to the prompt availability of credit from non-institutional sources at high interest rates, bank loans are gaining popularity as a result of the widespread expansion of branches of banks throughout the nation. However, despite the implementation of numerous policy initiatives and laws, there exist some limitations to the provision of finance for Micro, Small and Medium Enterprises (MSMEs) in India.

This is mostly due to the relatively modest size of the Indian Banking System in comparison to the growing demand for debt in this particular sector. From the standpoint of financial institutions, micro, small, and medium enterprises (MSMEs) are considered debtors with a high level of risk due to their limited assets and low capital.

The susceptibility of this industry to market and economic volatility is significant. There is also apprehension regarding the occurrence of illnesses among the units inside this sector. According to provisional data from the Reserve Bank of India (RBI) in September 2016, there were a total of 480,280 sick Micro & Small companies with an overdue credit amount of Rs. 326.74 billion.

Micro, Small, and Medium Enterprises (MSMEs) tend to exhibit a higher level of opacity compared to larger enterprises due to the limited availability of publicly accessible information pertaining to their operations. As a result, banks face challenges in evaluating the creditworthiness of Micro, Small, and Medium Enterprises (MSMEs), potentially leading to reduced lending. In response to the limited information available, lenders may compensate by imposing stricter collateral requirements.

Indian Micro, Small, and Medium Enterprises (MSMEs) are facing a significant challenge in obtaining timely and sufficient financing, primarily due to the absence of collateral. The presence of information asymmetry within this particular sector gives rise to insufficient bank financing.

The stated data on sales and profitability may differ from the actual figures due to a significant reliance on cash transactions. The discrepancy can be attributed to the absence of comprehensive documentation for a significant number of low-value cash transactions.

Consequently, the Micro, Small, and Medium Enterprises (MSMEs) are eligible for a loan amount that is lower than their actual financial need. In addition to these factors, the inability of Micro, Small, and Medium Enterprises (MSMEs) to obtain timely and sufficient credit can be attributed to high transaction costs, reduced profit margins, limited product innovation inside the enterprises, and the low-risk tolerance of Financial Institutions. Non-performing assets (NPA) represent an additional element within this particular sector that instills apprehension among lenders when it comes to extending loan facilities.

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Objective of the Study

i) To identify the sources that helps the MSME entrepreneurs to run the business

ii) To assess the Problems faced by the entrepreneurs

iii) To study the influence of demographic variables on problems facing by the entrepreneurs

Hypothesis of the study

H_0: There is no significant influence of demographic variables on problems facing by the entrepreneurs

METHODOLOGY

The main focus of this study is to study the financial sources to run the business and to identify the problems facing by the entrepreneurs running MSME units in Chennai. A sample of 103 entrepreneurs was selected for the study and this study falls under descriptive type. Questionnaire is considered as study instrument, Convenience sampling method is used to select the respondents for the study. Questionnaire comprises of three sections first section covers the demographic details of the respondents, whereas the second and third section covers the sources and problems facing by the entrepreneurs. Descriptive measures and one-way ANOVA are the statistical tools applied. Reliability of the study sounds with 0.829 (82.9%). SPSS v23 is used to perform the data analysis.

ANALYSIS AND RESULTS

A sample of 103 respondents were selected for the study, 74.6% of them are male and 26.4% of them are female, 38.6% of the respondents are having age less than 40 years, 63.5% of the respondents were married, 33.5% of the respondents possess graduation as their educational qualification. 22.6% of the respondents are having a total experience of less than 10-15years, 48.6% of the respondent's participation is Sole Proprietorship in the organization.

Table 1: Source of finance for MSME

Source	Mean	SD
Using own capital resources	3.84	1.557
Making use of funds from Friends	3.29	1.653
Making use of funds from Relatives.	2.98	0.803
Availing advances from the customers	3.71	0.393
Making use of retained earnings	2.86	0.987
Approaching local money lenders for funds	3.26	1.625
Utilizing financial institutions/banks for funds	3.71	1.242

Source: Primary data

Table-1 depicts the sources of finance for MSME. The mean response for the variable "Using own capital resources" is 3.84, "Making use of funds from Friends" is 3.29, "Making use of funds from Relatives" is 2.98, "Availing advances from the customers" is 3.71,

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"Making use of retained earnings" is 2.86, "Approaching local money lenders for funds" is 3.26 and "Utilizing financial institutions/banks for funds" is 3.71.It is inferred from the table -1 that the entrepreneurs agreed that their own capital resources are the prime source of running the business. The respondents admitted that availing advances from the customers, approaching financial institutions/banks for funds plays prominent source for running the business. Funds from friends and money lenders help the entrepreneurs minimally. However the entrepreneurs admitted that the funds from relatives and retained earnings are not helping them to a great extent.

Table 2: Problems facing by the entrepreneurs

Problems	Mean	SD
Occasionally unable to meet the collateral requirement	2.87	1.169
Not adhering to the accounting system time to time.	3.38	1.133
Frequently operating businesses on a limited budget	3.42	1.124
Not preparing my company's annual reports every year.	3.32	1.105
Finance issues affect my company because of a lack of goodwill.	3.27	1.129
Financing issues are resulting from low past profitability.	3.73	1.03
When marketing channels are insufficient, it might be difficult to sell things.	3.16	1.052
Sometimes a power failure renders it impossible to produce the bare minimum of goods while still paying workers their full wages and collecting unit base fees resulting in a loss of business.	3.33	1.049
The use of older equipment leads to financial issues because of a lack of funding.	3.48	0.809

Source: Primary data

Table-2 depicts the problems facing by the entrepreneurs. The mean response for the variable "Occasionally unable to meet the collateral requirement" is 2.87, "Not adhering to the accounting system time to time" is 3.38, "Frequently operating businesses on a limited budget" is 3.42, "Not preparing my company's annual reports every year" is 3.32, "Finance issues affect their company because of a lack of goodwill" is 3.27, "Financing issues are resulting from low past profitability" is 3.73 "When marketing channels are insufficient, it might be difficult to sell things" is 3.16, "Sometimes a power failure renders it impossible to produce the bare minimum of goods while still paying workers their full wages and collecting unit base fees resulting in a loss of business" is 3.33 and "The use of older equipment leads to financial issues because of a lack of funding" is 3.48. It is noted from the mean response that financial issues has badly affected the entrepreneurs profitability is the key issue facing by the entrepreneurs. It is also noted that usage of older equipment due to lack of funding, operating business on a limited budget, not following the accounting system in regular intervals and issues due to power failure are the other problems facing by the entrepreneurs. Lack of goodwill due to financial issues, marketing issues plays minimal role in affecting the business of entrepreneurs. However the respondents agreed that they are able to meet the collateral requirement.

The following section identifies the significant influence of demographic variables on problems faced by the entrepreneurs; to achieve the same the following null hypothesis is framed.

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Null hypothesis H_0: There is no significant influence of demographic variables on problems faced by the entrepreneurs

Table 3: Influence of demographic variables on financial problems

Variable	Category	Mean	SD	F-value
Age	Up to 30 years	3.33	1.071	**4.174* (p=.021)**
	31-40 years	3.47	0.849	
	41-50 years	3.76	0.913	
	Above 50 years	3.47	0.988	
Education Qualification	Illiterate	3.73	0.855	**7.336** (p=.000)**
	School education	3.61	0.829	
	Graduation	3.42	0.858	
	Post-Graduation	3.25	1.008	
	Others	3.56	1.081	
Ownership Type	Sole Proprietorship	3.48	0.936	**1.148 (p=.201)**
	Partnership	3.44	0.927	
	Private Limited	3.56	0.949	
Duration in Business profession	Below one year	3.72	1.171	**4.882** (p=.001)**
	1– 5 years	3.55	0.807	
	5–10 years	3.26	0.823	
	10-15 years	3.29	0.829	
	Above 15 years	3.42	1.122	
Enterprise Type	Micro	3.48	0.935	**0.229 (p=.897)**
	Small	3.49	0.923	
	Medium	3.46	0.977	
Participation in the unit	Sole Proprietor	3.48	0.936	**1.539 (p=.218)**
	Partner	3.44	0.927	
	Director	3.56	0.949	

**Significant at 1% level

Significant influence of age (F=4.174, p=.021), Education Qualification (F=7.336, p=.000), and Duration in Business profession (F=4.882, p=.001), on financial problems are not observed, H_0* is accepted at 5% level. However influence of Ownership Type (F=1.148, p=.201), Enterprise Type (F=0.229, p=.897), Participation in the unit (F=1.539, p=.218) on financial problems is not observed significantly, H_0* is rejected at 1% level.

Further Entrepreneurs in the age group of below 30 years are identified with lesser financial problem, whereas the entrepreneurs in the age group of 41-50 years are found with lesser financial problems. Entrepreneurs possessing post-graduation degree felt that they are facing lesser financial problems and the entrepreneurs with no education are found with more financial problems. Entrepreneurs with an experience of 5-10 years are identified with lesser financial problem, whereas the entrepreneurs with experience of less than one year are found with more financial problems.

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CONCLUSION

Despite the multitude of policies and schemes implemented by the Government and the Reserve Bank of India, the industry in question continues to have challenges in obtaining timely and sufficient financial support.

This issue occurs among both entrepreneurs and bankers. In the contemporary period of Digital India and Atmanirbhar Bharat, India is currently observing a proliferation of small-scale yet inventive start-ups within the service sector. These enterprises necessitate support in the form of risk capital and prompt credit to facilitate their operations.

Micro, Small, and Medium Enterprises (MSMEs) are increasingly engaging in strategic collaborations with larger corporations, therefore introducing competitive products into the market. Despite the increasing number of ailing firms, it is important to acknowledge that the non-performing asset (NPA) rate among major enterprises remains lower. Therefore, it is imperative for banks to take this into consideration.

There is a pressing necessity to guarantee the provision of banking services in geographically isolated regions with limited access to financial institutions. Banks play a significant role in addressing various challenges encountered by Micro, Small, and Medium Enterprises (MSMEs) in India. Banks must perceive themselves not solely as credit providers, but rather as collaborative participants in the advancement of these firms.

This entails offering comprehensive support and guidance to first-generation entrepreneurs and startups as they navigate the initial stages of their business endeavors. Therefore, it is recommended that banks offer financial advisory and management services to their borrowers in the Micro and Small Enterprise (MSE) sector, with the aim of providing comprehensive guidance, support, and nurturing. Banks have the potential to establish dedicated departments focused on industrial and management consultation in order to effectively address functional deficiencies and market voids.

Entrepreneurs agreed that their own capital resources are the prime source of running the business. However the entrepreneurs admitted that the funds from relatives and retained earnings are not helping them to a great extent. Financial issues have badly affected the entrepreneurs profitability is the key issue faced by the entrepreneurs.

However the respondents agreed that they are able to meet the collateral requirement. Significant influence of age, Education Qualification, and Duration in Business profession on financing problems is not observed.

However influence of Ownership Type, Enterprise Type, and Participation in the unit on financing problems is not observed significantly. Entrepreneurs in the age group of below 30 years, no education and having an experience of less than one year are facing more financial problems.

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