

Categorizing Entrepreneurial Challenges: Survey Evidence from Budding Entrepreneurs' Perceptions

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ABSTRACT

Entrepreneurship refers to the capacity of an individual to innovate, design, process and create a new solution (in the form of a product or a service) to an existing problem and market it profitably among those who are in need of it. Many studies have examined the challenges faced by new and existing entrepreneurs, more particularly the women entrepreneurs. This study attempted to record the perceptions of budding entrepreneurs from diverse educational background in Puducherry towards entrepreneurial challenges and categorize those challenges using factor analysis. The study identified three components consisting of 9 factors, and named them as Hygiene, Comfort and Motivating Factors. The study used online survey and obtained data from 215 participants. This is considered a limitation as it deprived the participation by those who did not have access to internet facility. Future studies could overcome this limitation and use other tools to facilitate generalization of the findings.

1. Brief Introduction

According to Investopedia: "An entrepreneur is an individual who, rather than working as an employee, founds and runs a small business, assuming all the risks and rewards of the venture. The entrepreneur is commonly seen as an innovator, a source of new ideas, goods, services and business/or procedures". It is defined thus in Business Dictionary: "The capacity and willingness to develop, organize and manage a business venture along with any of its risks in order to make a profit. The most obvious example of entrepreneurship is the starting of new businesses. In economics, entrepreneurship combined with land, labor, natural resources and capital can produce profit. Entrepreneurial spirit is characterized by innovation and risk-taking, and is an essential part of a nation's ability to succeed in an ever changing and increasingly competitive global marketplace". As an entrepreneur, one has to take a lot of risks as he is attempting to market an hitherto-unknown product or service. An entrepreneur requires many resources including finance, human resources, marketing support, production acumen, technical knowhow, infrastructure facilities, etc. and gathering all these is a real challenge. He has to strive a lot to assimilate the most critical of these requirements in order to ensure success in the business venture.

2. Purpose and Methods of the study

This paper attempts to identify the perceptions of budding entrepreneurs on the entrepreneurial challenges, and categorize them by using factor analysis technique. This descriptive study collected primary data from educated youth of diverse educational background (classified into engineering, commerce, arts and science) by using online survey with Google Forms. The survey was conducted in Feb.2019 and in about a fortnight data collected from 215 participants were analysed using descriptive tools, and inferential statistics such

as chi-square tests, multiple correlation and factor analysis using principal components method. Popular statistical package SPSS (version 20) is used for this purpose.

3. Brief Review of Relevant Literature

Kanchana et al. (2013) who summarized the challenges faced by new entrepreneurs stated thus: "The most important challenges faced by new entrepreneurs include Developing the Vision and Business Idea, Raising Capital for Startup, Assembling a Business Team, Finding the Right Business Location, Finding Good Employees, Finding Good Customers, Dealing with competition, Unforeseen Business Challenges and Expenses, Keeping Up With Industrial Changes and Trends, lack of support, negative mindset, lack of marketing facilities, and lack of infrastructural facilities". Fazeli et al. (2015) used factor analysis and categorized the factors into 6 components and named them as economical and structural factor, psychological and managerial factor, cultural factor, skill factor, supportive factor and investment factor. These components were able to explain, in that study, 73% of the variation of affecting factors on development of entrepreneurship among rural women. Many other studies did identify various challenges, with scores of research articles particularly focusing on problems of women entrepreneurs. However, not many studies considered the perceptions of budding entrepreneurs towards entrepreneurial challenges – since it is believed that the perceptions could have an impact on their confidence of starting their own business venture.

4. Results and Discussion

The educational background across gender of the 215 survey respondents is cross-tabulated with their intention on the periodicity of probable start of own enterprise is shown in Table 1.

Table 1: Cross-tabulation between Educational Background across Gender vis-à-vis Probable Start of Own Enterprise by the Survey Respondents, with Chi-Square Tests

	Educational Background	Probable Start of Own Enterprise				Pearson's Chi-Square	Remarks
		Within a Year	Within Three Years	After some years	Can't Really Say		
Female Respondents	Engineering	9	7	16	9	4.116 (p-value = 0.904)	No significant variation across Female Respondents' Educational Background
	Business / Commerce	3	4	8	5		
	Mathematics / Science	3	5	8	10		
	Arts / Literature	1	2	2	1		
Total Females		16	18	34	25	93	
Male Respondents	Engineering	16	13	23	13	17.098 (p-value = 0.047*)	Statistically significant variation across Male Respondents' Educational Background
	Business / Commerce	6	4	14	4		
	Mathematics / Science	8	4	5	3		
	Arts / Literature	1	0	2	6		
Total Males		31	21	44	26	122	
All Respondents	Engineering	25	20	39	22	8.310 (p-value = 0.503)	No significant variation across All Respondents' Educational Background
	Business / Commerce	9	8	22	9		
	Mathematics / Science	11	9	13	13		
	Arts / Literature	2	2	4	7		
Total Respondents		47	39	78	51	215	

Source: Perceptions towards Entrepreneurial Challenges Survey, Feb. 2019

As can be observed from Table 1, out of total respondents of online survey 93 of them were females (43.3%) and the remaining were males. The intention on the periodicity of probable start of their own enterprise shows no statistically significant variation across educational background in respect

of female respondents (which is evidenced by the chi-square test which returned a p-value of 0.904). Contrarily, their male counterparts' views showed a statistically significant variation across educational background (evidenced by p-value of 0.047, at 95% level of significance).

Table 2: Cross-tabulation between Educational Background across Gender vis-à-vis Initial Investment Proposed by the Survey Respondents, with Chi-Square Tests

	Educational Background	Initial Investment proposed				Pearson's Chi-Square	Remarks
		Below INR 100,000	INR 100,000 to INR 500,000	Above INR 500,000	Can't say right now		
Female Respondents	Engineering	7	17	3	14	10.435 (p-value = 0.316)	No significant variation across Female Respondents' Educational Background
	Business / Commerce	5	6	5	4		
	Mathematics / Science	6	7	1	12		
	Arts / Literature	2	1	1	2		
Total Females		20	31	10	32	93	
Male Respondents	Engineering	9	18	16	22	15.311 (p-value = 0.083)	No significant variation across Male Respondents' Educational Background
	Business / Commerce	2	8	13	5		
	Mathematics / Science	3	4	9	4		
	Arts / Literature	4	1	1	3		
Total Males		18	31	39	34	122	
All Respondents	Engineering	16	35	19	36	16.417 (p-value = 0.059)	No significant variation across All Respondents' Educational Background
	Business / Commerce	7	14	18	9		
	Mathematics / Science	9	11	10	16		
	Arts / Literature	6	2	2	5		
Total Respondents		38	62	49	66	215	

Source: Perceptions towards Entrepreneurial Challenges Survey, Feb. 2019

An observation of the contents of Table 2 reveals that there is no statistically significant variation across educational

background in respect of female, male, and all respondents (which is evidenced by the chi-square test which returned p-

values larger than the threshold 0.05). Thus there is no significant variation in the initial investment proposed by the respondents.

The reliability statistics carried out with Cronbach's Alpha returned a value of 0.879 which is considered a good measure of reliability in business research (Table 3).

4.1 Reliability

Table 3: Reliability Statistics

Cronbach's Alpha	N of Items
0.879	9

4.2 Descriptive and Multiple Correlation Analysis

Table 4: Descriptive Statistics

	Mean	Std. Deviation	Analysis N
CP1: Financial Problems	3.99	1.052	215
CP2: Infrastructure Problems	3.65	.950	215
CP3: Space Problems	3.57	1.038	215
CP4: Technical Knowhow Problems	3.71	1.020	215
CP5: Production Problems	3.61	1.075	215
CP6: Managerial Problems	3.71	1.119	215
CP7: Marketing Problems	3.90	1.063	215
CP8: Manpower Problems	3.78	1.109	215
CP9: Storage Problems	3.56	1.228	215

Table 4 reveals that Financial Problems is the leading one (with 3.99 mean value) followed by Marketing Problems (with 3.90 mean value).

Table 5: Multiple Correlation Analysis

CORRELATIONS		CP1	CP2	CP3	CP4	CP5	CP6	CP7	CP8
CP2: Infrastructure Problems	Pearson Correlation	.304**							
	Sig. (2-tailed)	0.000							
	N	215							
CP3: Space Problems	Pearson Correlation	.260**	.550**						
	Sig. (2-tailed)	0.000	0.000						
	N	215	215						
CP4: Technical Knowhow Problems	Pearson Correlation	.175*	.423**	.325**					
	Sig. (2-tailed)	0.01	0.000	0.000					
	N	215	215	215					
CP5: Production Problems	Pearson Correlation	.276**	.303**	.313**	.424**				
	Sig. (2-tailed)	0.000	0.000	0.000	0.000				
	N	215	215	215	215				
CP6: Managerial Problems	Pearson Correlation	.310**	.295**	.310**	.302**	.399**			
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000			
	N	215	215	215	215	215			
CP7: Marketing Problems	Pearson Correlation	.279**	.223**	.290**	.321**	.386**	.537**		
	Sig. (2-tailed)	0.000	0.001	0.000	0.000	0.000	0.000		
	N	215	215	215	215	215	215		
CP8: Manpower Problems	Pearson Correlation	.270**	.404**	.317**	.260**	.315**	.456**	.520**	
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
	N	215	215	215	215	215	215	215	
CP9: Storage Problems	Pearson Correlation	.284**	.488**	.485**	.364**	.376**	.306**	.341**	.473**
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	N	215	215	215	215	215	215	215	215

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

Table 5 shows that the multiple correlation across various challenges observed is statistically significant (either at 1% level or at 5% level).

4.3 Results of Factor Analysis

Table 6 presents the KMO and Bartlett's test on 215 survey responses and the results indicate sampling adequacy (0.844) to proceed to factor analysis.

Table 6: KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.844
Bartlett's Test of Sphericity	Approx. Chi-Square	562.247
	df	36
	Sig.	0.000

Table 7 reveals the total variances explained 66.272% of variances in perceptions of budding entrepreneurs towards entrepreneurial challenges – which is considered as a reasonably good measure of variances.

Table 7: Total Variances Explained

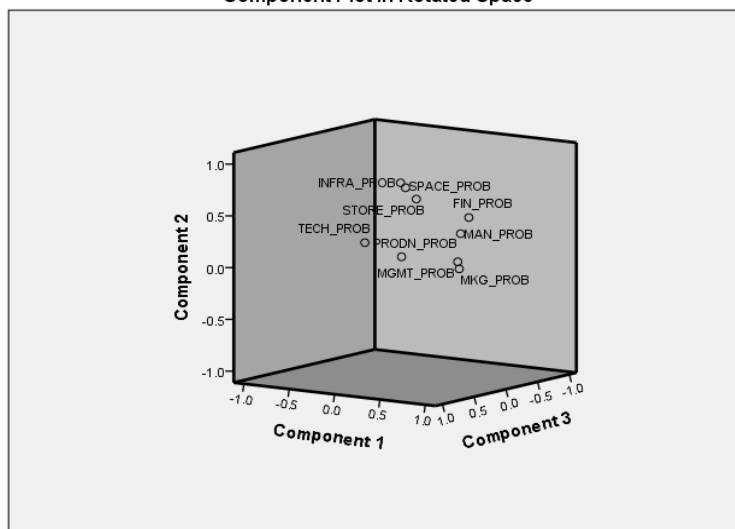
Component	Initial Eigenvalues			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.838	42.643	42.643	2.208	24.534	24.534
2	1.090	12.109	54.752	2.192	24.355	48.889
3	.957	11.520	66.272	1.584	17.382	66.272
4	.790	8.773	73.044			
5	.594	6.604	79.648			
6	.575	6.390	86.038			
7	.484	5.377	91.414			
8	.432	4.796	96.210			
9	.341	3.790	100.000			

Table 8 presents the results of Rotated Component Matrix and lists the factor loading of 9 factors classified into 3 components.

Table 8: Rotated Component Matrix

	Component		
	1	2	3
CP7: Marketing Problems	0.795		
CP6: Managerial Problems	0.757		
CP8: Manpower Problems	0.671		
CP1: Financial Problems	0.518		
CP2: Infrastructure Problems		0.814	
CP3: Space Problems		0.765	
CP9: Storage Problems		0.676	
CP4: Technical Knowhow Problems			0.792
CP5: Production Problems			0.630
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.			
*Rotation converged in 4 iterations.			

Component Plot in Rotated Space



The component plot in rotated space presents the 3-dimensional shape of the factors identified by factor analysis. Accordingly, the three components are placed in three planes – with each factor placed on respective plane appropriately.

4.4 Labeling of the Components

The final step in Factor Analysis is the appropriate naming of the components. Accordingly, the first component (comprising marketing problems, managerial problems, manpower problems, and financial problems with a total factor loading of 2.741) is named as “HYGIENE Factors” since these

are considered as fundamental to the existence of a business enterprise. The second component (consisting of technical knowhow problems and production problems with a total factor loading of 1.422) is named as “COMFORT Factors” since these facilitate better attainment of objectives of an organisation. Finally, the third component (comprising infrastructure problems, space problems, and storage problems with a total factor loading of 2.255) is named “MOTIVATING Factors” since the absence of these will enhance the profit potential of an enterprise.

Table 9: Labeling of the Components with Factor Listing

Sl.	Component	Description	Factor Loading	Total Loading of Component	LABEL (assigned)
1	1	CP7: Marketing Problems	0.795	2.741	HYGIENE FACTORS
2		CP6: Managerial Problems	0.757		
3		CP8: Manpower Problems	0.671		
4		CP1: Financial Problems	0.518		
5	2	CP4: Technical Knowhow Problems	0.792	1.422	COMFORT FACTORS
6		CP5: Production Problems	0.630		
7	3	CP2: Infrastructure Problems	0.814	2.255	MOTIVATING FACTORS
8		CP3: Space Problems	0.765		
9		CP9: Storage Problems	0.676		

5. Conclusion to the study

The study attempted to record the perceptions of budding entrepreneurs on various entrepreneurial challenges, and categorize them using factor analysis. An online survey was participated by 215 participants in a fortnight duration and were analysed using SPSS. The Factor Analysis conducted revealed that the nine factors with sizeable loadings are categorized into three components which are named as (i) Hygiene factors, (ii) Comfort factors, and (iii) Motivating factors.

5.1 Recommendations based on the findings

The study revealed that the Infrastructure problems (factor loading 0.815), Marketing problems (factor loading 0.795), and Technical Knowhow problems (factor loading 0.792) are the most serious of the problems faced by budding entrepreneurs.

Concerned agencies (like Entrepreneurial Development Cell) can take a cue from this, and take efforts to arrange Seminars and Workshops to disseminate knowledge and awareness. In this process, they can support from NGOs and Higher Learning Institutions – in order to gather the educated youth.

5.2 Limitations and Future Research

The study took only online survey thus not providing opportunity to those who are devoid of internet facilities. Further it used only Factor Analysis to categorize the challenges. Future studies could overcome these issues.

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