

A STUDY ON THE IMPACT OF SEED CAPITAL TO START ENTERPRISE IN TAMIL NADU WITH SPECIAL REFERENCE TO FIRST GENERATION ENTREPRENEURS ATTITUDE

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Abstract

Entrepreneurs of first generation are not doing well though they have entered into small-scale industrial ventures. They face a lot of operational problems while managing their establishments. The problems are, lack of raw-material, finance, marketing, government, funding agencies, competition and support from the family. Based on the primary data, the present study attempts to identify the factors which influenced the first generation entrepreneurs to identify their skills. For this purpose, 12 statements relating to the need of seed capital for a good start of the enterprise by the first generation entrepreneurs have been selected to identify the significant dimensions of the factors, with the help of factor analytical technique. It is inferred from the above factor analysis that the following factors have influenced the first generation entrepreneurs from the view point of their need for a seed capital as per the context of this study: need- seed, necessary, business soul, compromise, innovation. Further, it is inferred that there is a need for a war front action from the government to monitor its organizations established for entrepreneurship development and small industries development, and take stringent actions to ensure the practical application of the rules and regulations by controlling red tapism. Also, there is a need for the rejuvenation of new/first generation entrepreneurs, who are encountering problems.

Keywords:

Factor Analysis, Need-Seed, Business Soul, Compromise, Innovation

1. INTRODUCTION

The first generation entrepreneurs have to encounter so many teething problems during the take-off stage of their business units. The marketing and financial problems are the two important problems faced by the first generation entrepreneurs in the initial stage [1] [2]. They concentrate more on production since their skills and knowledge center around the production operation. They know little about marketing and financial management [10]. As a result, many units started by the first generation entrepreneurs fall sick. Any amount of effort taken to revive such sick units have proved futile in most cases [3] [5].

Entrepreneurs of first generation are not doing well though they have entered into small-scale industrial ventures. They face a lot of operational problems while managing the establishments. The problems are minimal raw-material, finance, marketing, government, funding agencies, competition, and lack of support from the family [4]. Owing to such multiple problems, the entrepreneurs feel frustrated, and they could not concentrate in sustaining the growth of their business. Their friends and relatives advise the entrepreneurs to go for employment rather than continuing their business. Therefore, many entrepreneurs give their factory establishment on lease and get a monthly rent [7] [8]. Their personal qualities like innovation, initiative, risk bearing have no role to play. There is a complete change in their outlook

and behaviour. Many entrepreneurs think that employment is neat, safe and secured than running a business [9] [11].

The main objectives of the present study are the following:

- To identify the factors influencing the entrepreneurial seed capital among the first generation entrepreneurs.
- To offer the summary of findings, suggestions and conclusion on the study

This study aims at investigating the role of the first generation entrepreneurs owning small-scale industrial units in Madurai city. This study covers only the industrial units owned by the first generation entrepreneurs. The entrepreneurs who are involved in the manufacturing sector, and service sector are considered for this study. The entrepreneurs who are just involved in trading services are also included for this research study.

In this paper, an attempt has been made to identify the factors which influenced the first generation entrepreneurs to identify their skills. For this, 12 statements relating to the need of seed capital for a good start of the enterprise by the first generation entrepreneurs have been selected to identify the significant dimensions of the factors, with the help of factor analytical technique.

The present study is based on the primary data collected from the respondents directly for a period of three years (2017-2020).

2. ANALYTICAL FRAMEWORK TO TEST THE FACTORS

The technique adopted to identify and analyse the factors influencing the first generation entrepreneurs' performance is factor analysis.

The principal factor analysis method is mathematically satisfying because it yields a unique solution to a factor problem. Its major solution feature is the extraction of maximum amount of variation as each factor is calculated. In other words, the first extracts the most variance and so on.

Most of the analytical methods produce results in a form that is difficult or impossible to interpret. Thurston argued that it was necessary to rotate factor matrices if one wanted to interpret them adequately.

Thurston pointed out that original factor matrices are arbitrary in the sense that an infinite number of reference frames (axes) can be found to reproduce any given R Matrix.

There are several methods available for factor analysis. But the principal factor method with orthogonal variance rotation is mostly used and widely available in factor analysis computer programme.

Further orthogonal rotations maintain the independence of factors that is, the angles between the axes are kept at 90° . One of

the final outcomes of a factor analysis is called rotated factor matrix, a table of co-efficient that expresses the ratios between the variable and the factors that have been prepared. The sum of squares of the factor loading of variable is called communalities (h_2).

The communality (h_2) of a factor is its common factor variance. The factors with factor loadings of 0.5 or greater are considered as significant factors. This limit is chosen because it had been judged that factors with less than 50 per cent common variation with the rotated factor pattern are too weak to report.

In the present study, the principal factor analysis method with orthogonal varimax rotation is used to identify the factors influencing the overall skills and ability of the entrepreneurs in the study area.

Factor analysis was done with 12 variables (opinion) Orthogonal Varimax Rotation for the opinion of the respondents (sample first generation entrepreneurs) towards the previous employment of the respondents that have an impact on their behavioural attitudes in the study area.

The rotated factor matrix for the variables relating to the availability of seed capital and entrepreneurship attitude of the respondents in the study is given as follows:

Table.1. Rotated factor matrixes for the impact of seed capital to start enterprise

Opinion Variables	Rotated Factor Loadings					H ²
	F1	F2	F3	F4	F5	
Minimum Seed Capital is enough	-.76096	.10250	.06505	-.08593	-.07924	.60746
Good Beginning of enterprise	.58754	.15361	.6919	-.12121	.21138	.43296
Commencement without Seed capital	.55768	-.10216	.08039	.07985	-.41343	.50522
Necessary to reduce initial problems	-.06287	-.75467	.00509	-.12390	.01645	.58913
For Confidence-Seed capital needed	-.10082	.75383	-.04696	-.12205	.06165	.59932
Develops enterprises' Good will	.08859	-.04574	.70831	-.33311	.04982	.62508
Seed Capital - Must	-.21915	-.09797	.70160	.11975	.07729	.57652
No seed capital - No scope to business	.16534	.77037	.47512	.12674	-.13045	.29112
Seed Capital - By means of loan	-.13171	-.17087	-.05189	.73910	-.00781	.59556
Seed Capital - Not essential	.24137	.27020	.11387	.59916	.02335	.50377

Money chases - Innovative ideas	.00485	-.13517	.15316	.09856	.74507	.60659
Huge seed amount - heavy security	.14838	.16685	-.16446	-.07193	.53388	.36710
Eigen values	1.4821	1.4195	1.2617	1.0911	1.0451	
Percentage of variation	12.4	11.8	10.5	9.1	8.7	
Cumulative percentage	12.4	24.2	34.7	43.8	52.5	

From Table.1, it is observed that the first factor is designed as need-seed on the basis of the loaded variables. Three variables in this category are significant with high factor loading. It indicates that among the various performance scales, minimum seed capital is enough, good beginning of enterprise and commencement without seed capital are important attributes in this category. Thus, need-seed is identified as an important factor to influence the entrepreneur to start the enterprise in Madurai city.

The second factor is narrated as necessary on the basis of the loaded variables. Two variables in this category are important with high factor loading. It indicates that among the various performance scales necessary to reduce initial problems, the need for confidence-seed capital is an important attribute. Thus, it indicates that, for the steady performance and development of business, the need for seed capital greatly influences the first generation entrepreneurs from the perspective of this study.

The third factor is identified as business soul, on the basis of the loaded variables. Three variables in this category are important with high factor loading. It indicates that, among the various performance scales for the development of enterprises, goodwill, seed capital, and good business scope in the absence of seed capital are important attributes in this category. Thus, as identified by the researcher from the perspective of the study area, business soul influences the first generation entrepreneurs as one of the top priorities.

The fourth factor is identified as compromise, on the basis of the loaded variables. Two variables in this category are playing significant role with high factor loading. It indicates that among the various performance scales, Seed Capital – By means of loan and Seed Capital not essential are the important attributes in this category. Thus, as identified by the researcher from the perspective of the study area, the attribute of 'compromise' influences the first generation entrepreneurs to have the seed at least in the form of loan and if there is no other go, the first generation entrepreneur could compromise with the same to start the enterprise even without the seed capital.

The fifth factor is identified as innovation, on the basis of the loaded variables. Two variables in this category are playing significant role with high factor loading. It indicates that among the various performance scales, 'money chases: innovative ideas' and 'huge seed amount: heavy security' are the important attributes in this category. Thus, as identified by the researcher from the perspective of the study area, the innovation factor influences the first generation entrepreneurs to get into business.

Thus, it is inferred from the above factor analysis that the factors that have influenced the first generation entrepreneurs from the view point of their need for a seed capital as per the

context of this study are need- seed, necessary, business soul, compromise, and innovation.

3. SUGGESTIONS

It is inferred that there is a need for a war front action from the government to monitor its organizations established for entrepreneurship development and small industries development, and take stringent actions to ensure the practical application of the rules and regulations by controlling red tapism. Also, there is a need for the rejuvenation of new/first generation entrepreneurs, who are encountering problems.

The government organizations, commercial banks, and financial institutions just keep the records for documentation purposes when it comes to identifying entrepreneurs for the purpose of loan sanctions and awareness campaigns. It would be great if they could be advised to execute their programmes like other organizations such as Maditssia, CII from Chamber of Commerce.

4. CONCLUSION

The factors revealed by the preceding parts of this study have been identified as the influencing factors among the first generation entrepreneurs. In the context of this study, the researcher has derived these factors after analyzing the relative importance of the above factors by applying Chi-Square test, Analysis of Variance test and Factor Comparison methods along with the Percentage tables. Among the external influencing factors, the need for assistance from financial institutions and from the government have emerged as the most significant factors. Almost all the entrepreneurs are of the opinion that they would not have perhaps been able to implement the project without financial assistance, infrastructural facilities and the like. These factors are not the prime motivators but play the role of contributing factors in the implementation of the entrepreneurial idea. Availability of technology either from indigenous sources or from foreign collaborators also attracted a few entrepreneurs to take up manufacturing activities.

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