

A Study on challenges faced by entrepreneurs in Non-Metros

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ABSTRACT:

The economic scenario in the country has been grim. There are many challenges that the businesses are facing. Situation is similar in both metros and non-metros. There are some businesses which are even struggling to survive. The failure risk is increased with high indebtedness, insufficient revenue financing, and large size in the first years of existence of a firm (Laitinen, 1992). But the challenges are not only confined to the initial years of business and will continue throughout the lifecycle of a business. Hence, a study to recognize the different challenges faced by businesses in non-metros in different sectors is necessitated. In the current study entrepreneurs in the diverse sectors were interviewed to analyze the challenges faced by them. The sectors included retail, service and manufacturing sectors. A semi structured questionnaire was administered, data was analyzed and interpretations gained.

Keywords: Entrepreneur, Entrepreneurship, Challenges, Startups

I. INTRODUCTION:

Entrepreneurship as an area of research has been recognized immensely. Entrepreneurs are a rare breed. They are more dedicated towards their craft and are more oriented towards success of their entrepreneurial venture. (Bruyat & Julien, 2001) said that the field of entrepreneurship is formed with large scientific community dedicated towards research on the subject. In other words the field of entrepreneurship research is well defined. But still some research is necessary for defining the boundaries of entrepreneurship and the definition of an entrepreneur itself. Many authors have different opinion on how to define entrepreneur and entrepreneurship. (Hofer & Meeks, 1998) even opined that the role of entrepreneur is difficult to establish if the concept of entrepreneur and entrepreneurship are not properly defined. An entrepreneur is a person involved in the process of

creating a venture and working towards its success. During this process there are many phases through which an organization passes through. In each of these phases an entrepreneur faces many ordeals and challenges to sustain and develop his enterprise. The following paper is an attempt to understand different challenges faced by an entrepreneur in non-metro cities.

Research Objectives:

The primary objective of the current research is to identify the challenges faced by the entrepreneurs in non-metros. There are different challenges what a entrepreneur faces irrespective of the place where they are operating but challenges may differ sometimes with respect to metros and non-metros. The current study is an attempt to understand the challenges faced.

The objectives of the study are to analyze previous literature to understand the challenges faced and to confirm with the current study whether literature holds good. Previous studies on the subject have highlighted many challenges faced by the businesses but in the current scenario do these challenges still prevail or are there any new unique challenges have emerged is the crux of study.

II. LITERATURE REVIEW:

The concept of entrepreneurship can be defined in multiple ways the first approach defines who an entrepreneur is, according to this approach we can observe what an entrepreneur does and define what entrepreneurship is. Second approach defines what entrepreneurship is and concludes that entrepreneur is an individual who is involved in entrepreneurial activity (Hofer & Meeks, 1998). (Carter, Gartner, & Reynolds, 2018) opined that entrepreneurs depending on their characteristics can be said to be belonging to different profiles, nascent entrepreneurs who undertook activities to make their business more

tangible were said to be belonging to the group STARTED A BUSINESS, the entrepreneurs who decided that their initial idea will not lead to the required success were said to be belonging to a profile GAVE UP and at last the entrepreneurs who are still trying for their businesses to succeed or the entrepreneurs who plan more act less are said to be belonging to a profile STILL TRYING. An entrepreneur may be belonging to different categories depending upon his characteristics but he is involved in creation of a new venture. Sometimes even the context is important to understand how, when and why entrepreneurship happens and who becomes involved in the initiation of a startup(Welter, 2011).

A new venture created by an entrepreneur is an unique entity that will consist of an individual who seeks an opportunity and who gathers resources for accomplishment of the goals, an environment within which entrepreneur and organization exists, the process of creation of an organization and the resultant organization itself(Gartner, 1985).

The available literature suggests that organizations have a tendency to evolve in a consistent and predictable manner during different phases of their lifecycles (Hanks, Watson, & Chandler, 1994).Any enterprise in its lifetime will go through the following phase's existence, survival, success, take off and resource maturity(Churchill & Lewis, 1983).

New firms may also greatly differ with larger firms in terms of financial and managerial resources they have and also the way they respond to the environment that they exist in. The size of the firm is dependent on the entrepreneurs background, the processes of starting up and to the subsequent patterns of development (Cooper & Woo, 1989). On the characteristics of small firms versus larger firms (Cooper & Woo, 1989)opined that larger firms are more likely to add new branches or locations of business after some time than the small firms.The success of a nascent entrepreneur and his venture are also dependent upon the planning process adopted by the entrepreneur before he plunges in to the business(Chwolka & Raith, 2012).

The environments within which an entrepreneur and enterprise exist have a great impact on its success and failure. Along with his own characteristics an entrepreneur is also dependent on external factors for the development of an enterprise.The challenges an entrepreneur faces arise from either internal or external environment. (Romanelli, 1989)analyzed the impact of two factors on the survival of a new firm

in its initial years (1) environmental resource and competitive conditions at the time of founding, and (2) strategies that an organization uses during its early years to exploit environmental conditions. Sometimes the companies entering smaller or more slowly growing markets may perform better than those in the larger, faster growing markets (Stuart & Abetti, 1987).

Challenges faced by entrepreneurs will arise from the environment in which the company exists and sometimes internally within the company. The problems or challenges an entrepreneur is facing are a natural outcome of changes(Rahimi & Fallah, 2015). As the firms move through different stages of its lifecycle different problems will arise. The entrepreneur must acquire different management skills, set appropriate priorities and structural configurations to solve them (Hanks et al., 1994). The challenges an entrepreneur faces can also be understood by the different challenges the enterprise goes through.(Walsh, 1988) opined an organizations problems can be grouped into 5 general categories accounting and finance, human relations, marketing, internal management and external management. (Terpstra & Olson, 1993)identified 9 distinct classes of problems that enterprises confront as obtaining external financing, internal financial management, sales/marketing, product development, production/operations management, general management, human resource management, economic environment and regulatory environment. Dun and Bradstreet identified the following as reasons for failure of a firm: (1) inadequate market knowledge; (2) poor product performance; (3) ineffective marketing and sales efforts; (4) inadequate awareness of competitive pressures; (5) rapid product obsolescence; (6) poor timing for the start of a business venture; and (7) financial difficulties(Dun & Bradstreet, 1987).

III. METHODOLOGY:

Methodology is the way a researcher conducts a research, it is a plan of execution of research. Research methodology or research design is a series of rational decision making choices for the effective conduct of research. For the following research the descriptive research design was adopted. A descriptive study is undertaken to understand, ascertain and describe the characteristics of the variables of the interest in a given situation (Sekaran, 2003). Descriptive research design is extremely useful to describe the characteristics of the sample, organization or markets etc. Non-probabilisticJudgmental Sampling Technique was used for the research. A

semi structured questionnaire was used for data collection. Data collection method used for the study was Personal Interviews. Likert scale was used in the design of questions. Ten entrepreneurs from various walks of entrepreneurial journey were chosen for the study. A semi structured questionnaire was administered. The responses were coded and transcribed in to data analysis tool.

IV. ANALYSIS:

The firms from diverse industries were considered for the study. The entrepreneurial firms belonged to retail, manufacturing and service sector. The mean age of entrepreneurs in the study was 38 with 23 being the minimum and 58 being the maximum. The difference in the age group of entrepreneurs was maintained to validate whether the identified problems exist during different stages of entrepreneurship. Most of the entrepreneurs i.e. 60% were in the business for than 7 years. Around 50% of the entrepreneurs had employed 6 to 25 employees in their firms. 70% of the entrepreneurs agreed that availability of human resource is a major challenge for them. 50% entrepreneurs identified Marketing of their products and services as a challenge whereas 30% of the entrepreneurs identified availability of financial resource for business operations as a challenge for them. 30% of the entrepreneurs opined that adhering to the changing rules and regulations of the government was a challenge for them. A mean value of 3.9 was provided by the entrepreneurs when asked about whether talented Human Resource is available in the non-metros.

V. DISCUSSION:

From the research it is evident that the firms face challenges at every stage of their lifecycle. The kinds of challenges faced by enterprises are not sector specific. Companies in any sector irrespective of their size and stature might face certain kind of challenges. These challenges arise out of controllable and uncontrollable factors. Sometimes the inefficiencies of the firm's management may be the reason for the challenges a firm is facing whereas other times uncontrollable factors which are beyond the control of the firm may be the reason for the challenges that is the challenges arise out of internal or external environment of a firm (Romanelli, 1989). One of the major problems the firms are facing in the current research is the availability of skilled labor in the region. There are many studies which have identified human resources as a challenge in their study (Terpstra & Olson, 1993). Skilled and dedicated labors are

essential for the success of a firm. Without skilled labor it would be difficult for the firm to survive and flourish.

Marketing has been recognized as a challenge for firms in many studies (Terpstra & Olson, 1993; Walsh, 1988). Marketing and promoting products is essential for a business to survive. The businesses in the non-metros are struggling to promote their products and services. Competition among businesses and lack of appropriate promotional plans by the businesses is the reason. A frequent change in rules and regulations was one more challenge that the entrepreneurs in non-metros are facing. They have to adhere to rules and regulations of the land. Sometimes they may adapt to the rules and regulations but if the government changes them frequently again revamping their operations may be a difficult scenario for them.

VI. CONCLUSION:

Time immemorial the challenges of businesses do exist and will continue in the future too. There are certain important resources as human resource, marketing and finance which act as life line for the businesses many a times the businesses diminish because they cannot effectively and efficiently handle these challenges. There needs to be detailed studies to understand these challenges and impact of them on the businesses.

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