CHALLENGES EXPERIENCED BY YOUNG ENTREPRENEURS ENTERING THE SMALL AND MEDIUM ENTERPRISE SECTOR (SME) IN RAJKOT REGION, GUJARAT-INDIA

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ABSTRACT

The purpose of this paper was to examine the young entrepreneurs entering the small and medium enterprises in Rajkot Region, Gujarat-India. The study involved non-probability purposive sampling sample of 50 young entrepreneurs from government and private business. The findings showed that a lack of support to young entrepreneurs from financial institutions, a lack of personal savings and business regulations were prominent challenges, which affected young entrepreneurs. The study also projected that education of the entrepreneurs affected their perception towards challenges. For instance, the perception in start-up and financing, running business and business support services were almost equal between the graduate- and the postgraduate entrepreneurs. The small-scale entrepreneurs experienced many challenges in business support services compared to the medium scale entrepreneurs. The sole proprietors and partnership business had almost equal perception on start-up and financing, business registration and regulatory and business support service challenges. However, the sole proprietors faced more problems in running their business.

Keywords: Entrepreneurship, Small and Medium Enterprise, Sole Proprietorship, Partnership Businesses, Rajkot City.

INTRODUCTION

Young entrepreneurs are faced with immense problems when entering the small and medium enterprise sector. India has the second largest population across the globe with 1.2 billion people, the majority of which are young and unemployed (Sarkar, 2016). The Indian Prime Minister, Narendra Modi, started the Stand-up India initiative to ensure job creation for the young people through bank financing of their start-ups. Despite the incentives, young entrepreneurs are still faced with immense challenges (Sarkar, 2016). The government started the Mudra Bank to address financing issues among the young entrepreneurs entering the manufacturing and the small business units. Some of the perceived challenges include lack of information on entrepreneurial culture and awareness, taxation issues, regulatory issues and social issues such as limited understanding of market structure and lack of mentorship and guidance among the young entrepreneurs (Sharifi & Hossein, 2015). According to Hyder and Lussier (2016), almost 50 percent of new businesses fail in their first five years of operation. Lack of adequate capital is one of the factors that attribute to the failure of these businesses. Business operations require adequate funds to operate effectively (Adisa, 2014). Most of the young entrepreneurs do not have access to adequate credit to support their business. Adequate finance stimulates the growth and the development of the small and medium business.
enterprises. Lack of information is another challenge faced by the young entrepreneurs as they try to enter or start small and medium business enterprises. Lack of information greatly hinders the flow of credit to the entrepreneurs (Chawla & Sujatha, 2016). Most of the young entrepreneurs do not understand the funding procedures, policies and eligibility.

The study established that the young entrepreneurs in Surashtra Region (Rajkot) of Gujarat State, India are faced with financing difficulties. Entrepreneurship education is essential in the successful running of the small and medium business enterprises (Fayolle & Gailly, 2015). Lack of business experience and family commitment, which obstruct the success of young entrepreneurs, was another prominent challenge facing the young entrepreneurs. Compared to joint businesses, the sole proprietor has individual liability for the debts incurred by their business. They are personally liable for the legal issues of their business, whereas in joint businesses, all partners are liable (Beyers & Maswanyi, 2016). The sole proprietors are at high risk of losing their personal assets whenever the business fails (Dorothy, 2015).

**LITERATURE REVIEW**

This section addresses the findings from different empirical studies on the challenges experienced by the young entrepreneurs, education of the entrepreneurs and perception of the challenges experienced by the sole proprietors and partnerships. The section concludes by comparing the perception of challenges experienced by small and medium enterprises.

**Challenges Experienced by Young Entrepreneurs When Entering the Small and Medium Enterprise Sector**

Young entrepreneurs experience many challenges when entering into business. Some of these challenges include insufficient funds, unfavorable government policies and lack of experience in running the enterprise. The lack of funds is a prominent challenge affecting entrepreneurs in India (Hampel-Milagrosa et al., 2015). Insufficient funds from creditors restrict the growth of the business. The small ventures need adequate funds to enhance operational efficiency. Entrepreneurs have to spend money to make an impact in communities. The entrepreneurs need to have adequate funds to ensure they address all aspects of the business stages (Khosa & Kalitanyi, 2014). Capital is essential from the start-up stages until the time the organisation is mature and controls a bigger percentage of the market. Additionally, they require adequate funds to expand the business, employ more employees and provide them with a good salary according to their job description (Porter & Kramer, 2019). Most entrepreneurs do not spend the money; therefore, their ventures become limited to growth. When sufficient funds are not invested in a qualified workforce, technology, marketing and provision of the best working environment, its growth becomes limited (Sarkar, 2016). A business enterprise requires a lot of money to successfully go through all the stages of development and expand to provide employment opportunities to more employees because of the increased workload. Funds are essential for the timely payment of salaries, training and the provision of bonuses to the employees to ensure they are motivated, therefore, being able to invest their best skills within the organisation. Limited credit is one of the biggest challenges facing new entrepreneurs.
Education of Entrepreneurs with their Perception of Challenges

Entrepreneurship education is essential for the successful running of the small and the medium business enterprises (Fayolle & Gailly, 2015). Education on entrepreneurship prepares the entrepreneurs for the management, financing and the marketing elements, which are significant in the running of the business operations. Adequate business education promotes individuals in developing successful business enterprises through enhancing entrepreneurial thinking, which is essential for a robust economy and sustainable development (Fayolle & Gailly, 2015). Challenges are inevitable when running a business; therefore, education of the entrepreneurs becomes a tool, which can alter these challenges into opportunities, thereby promoting the growth of their ventures.

Entrepreneurs’ education helps overcome some of the challenges, which affect the entrepreneurs. According to Bae (2014), there is a correlation between entrepreneurial education and entrepreneurial intentions. The human capital and self-efficacy theories support this ideology. The human capital theory is the greatest determinant for the development of the small and the medium enterprises. The skills and knowledge of the human capital are based on schooling, frequent training and experience. Entrepreneurship education promotes the entrepreneurial self-efficacy, which is a catalyst for the entrepreneurial intentions.

Education provides the entrepreneurs with the required knowledge on how to run their ventures. Educated entrepreneurs address the problems in critical and creative ways compared to those entrepreneurs with limited education (Nabi, 2017). Education is essential in analysing the competitors, advertising, keeping up with current trends and the target market. Skills alone might limit the entrepreneurs, as the other aspects require an in-depth understanding of the successful running of business ventures. Education promotes entrepreneur in doing research about the other ventures to identify their strengths and weakness.

Challenges Faced by Sole Proprietorship and Partnership Businesses.

Unlimited liability is one the challenges facing the sole proprietorship and partnership businesses. Both the sole proprietors and the partners in a joint business have unlimited liability, therefore, they are liable for the debts incurred by their business. They are personally liable for the legal issues of their business (Beyers & Maswanganyi, 2016). The sole proprietors are at risk of losing their personal assets whenever the business fails. Additionally, they are faced with governance-related challenges (Dorathy, 2015). Most of these businesses face challenges of recruiting the employees who possess the required experience and right skills to ensure and enhance operation efficiency within the business. It becomes difficult for the organisations to recruit suitable workers because of lower pay and the limited responsibilities of some the smaller organisations. Skilled and experienced employees demand higher wages and other benefits, which are provided by the larger companies because they generate greater profits and have bigger operations. Furthermore, they are faced with the regulatory challenges (Abraham et al., 2017). Some countries have strict taxation policies, which affect the profitability of a business. They are taxed heavily with regard to the services they provide; therefore, they are forced to raise the prices of their products and services and in doing so, most of these businesses lose many potential customers.
Perception of Challenges Experienced by Small and Medium Enterprises

The size of the business is a determinant of the challenges facing the entrepreneurs. Small and medium entrepreneurs require a team of specialists for the different fields like human resources and accountants (Burns, 2016). Provision of employment to these people will require constant cash flow and registration with the relevant authorities. The small entrepreneur will require a limited number of employees, therefore, in most cases, their operations are manageable (Burns, 2016). The hiring of employees to aid in the provision of the services and the production of the goods is a serial problem for most of the start-ups. Additionally, having the right team for the effective operation is a challenge to most of the entrepreneurs. The growth of the small and medium enterprises is crippled when the right team and structure is not in place. The large businesses have many operations; therefore, a lot of information of reports is generated from the operation. The management of these reports is critical to the growth of the business. Additionally, the medium business is faced with the management crisis. Leadership determines the operation of the organisation (Zhou, 2016). The entrepreneurs are in full management of their business and most of them do not have expertise in leadership management to aid in strategic decision making and other top management duties for their ventures (Fatoki, 2014). The top leadership is responsible for communicating vision, duties, goals and resolving the organisation conflicts. Poor leadership is a precedent for the poor performance within the small and medium business enterprises.

Johansen (2014) entrepreneurship education is “the promotion of different entrepreneurial capabilities, students’ qualities, and their attitude towards different items in the world like ready to take actions.” Some studies highlight the positive relationship between entrepreneurship education and business start-up intentions (Lena & Wong, 2003) however and besides that, personal characteristics also have an important role in shaping the motivation to start up a business.

RESEARCH METHODOLOGY

Problem Statement

Entrepreneurs are exposed to adverse challenges when joining the small business enterprises. According to Fatoki (2014), government policies have attributed to the challenges facing the entrepreneurs. For instance, heavy taxation does not provide a good working environment for the small business especially those competing with the bigger institutions or the government institutions to offer the same services. Whenever sole proprietors fail to meet the tax requirement, they are often penalised with huge fines, which become the genesis for the failure of the organisation to pick up and make an impact to the community (Everhart, 2018). Another factor, which hinders the growth of the business enterprises, is task orientation (Trofimov, 2017). Many of the entrepreneurs focus on the jobs and tasks they have at hand, which they perform brilliantly, but they forget about the long-term strategy that is essential for the growth of the organisation. Furthermore, the education of the entrepreneurs, the nature and type of the business are critical in determining the severity of the challenges that face the entrepreneurs.
Research Objectives

The research objectives for the study are as follows:

Objective 1: To study the challenges experienced by young entrepreneurs.

Objective 2: To compare perception of challenges experienced by sole proprietors and partnership businesses.

Objective 3: To compare perception of challenges experienced by young entrepreneurs with different educational qualifications.

Objective 4: To compare perception of challenges experienced by small and medium enterprises.

Null Hypothesis

$H_{01}$: There is no significant difference in mean perception of challenges experienced by Sole Proprietor and Partnership business.

$H_{02}$: There is no significant difference in mean perception of challenges experienced by Graduate/Lower and Post Graduate entrepreneurs.

$H_{03}$: There is no significant difference in mean perception of challenges experienced by entrepreneurs from small and medium scale firms.

Need for the Study

The need for this study was to provide a better understanding of the reasons why young entrepreneurs fail in establishing a small and medium business. Understanding of these challenges the young entrepreneurs face should avail assistance and vital information for the new entrepreneurs to succeed. Several studies have established that lack of adequate capital, entrepreneurial education and poor government policies are some of the challenges affecting young entrepreneurs. The present study elaborates on these challenges and how they limit the growth of small and medium business enterprises, by examining the correlation between entrepreneurial education and perception of the entrepreneurial challenges. Additionally, the study of these challenges focuses on the size and type of the business, therefore, providing young entrepreneurs with in-depth knowledge to manage their enterprises.

Study Population

The aim of this study is to investigate the challenges experienced by young entrepreneurs in Rajkot city of Saurashtra region, Gujarat, India. Therefore, the study population of the current study consists of fifty young entrepreneurs in Saurashtra region.

Sample Description

Questionnaires were distributed to and completed by young entrepreneurs from the manufacturing and service sectors. The researcher personally approached each entrepreneur via phone or email. Out of all contacted entrepreneurs, fifty were selected using convenience sampling, which is a non-probability purposive sampling method. As it was difficult to get an
appointment with all entrepreneurs from Saurashtra region, the researcher obtained contact
details of entrepreneurs from government offices and unions of entrepreneurs in that region.
After obtaining contact details, the researcher tried to contact each entrepreneur through personal
calls or e-mails and sent out the questionnaire to be completed. It is a descriptive exploratory
analytical research work carried out using pre-tested questionnaires.

**Sampling Methods**

Sampling is a method of getting a portion/part from a whole group or population of concern, selected based on scientific method in such a way that it can be representative of the entire population. Non-probability purposive sampling technique is appropriate because young entrepreneurs who are able to define challenges they face when entering the SME sector, were required to partake of this study. The sampling was based on the availability of the participants and those who were willing to participate in the survey.

**Research Instrument**

This is a descriptive and exploratory study using a quantitative approach. Quantitative data, such as personal information, views on developing entrepreneurship and grading challenges faced by young entrepreneurs in India, will be gathered through pretested semi-structured close ended questions. The closed ended questions related to challenges faced by young entrepreneurs in India and were asked in the form of a five-point Likert scale as follows: 1) Strongly disagree, 2) Disagree, 3) Neutral, 4) Agree, 5) Strongly agree.

**Quality Control**

In the current study, two forms of validity, namely construct validity and content validity were checked. To check construct validity of the instrument, factor analysis was carried out and total statements were grouped into meaningful factors/variables. Content validation of the tool was done by distributing prepared tool to five subject experts. Their opinions were incorporated in final draft. In this way, content validity was checked. Reliability refers to the replicability and/or reproducibility. The reliability of the research instrument was checked using the Cronbach’s Alpha statistics.

**Informed Consent and Voluntary Participation**

Informed consent is the agreement to take part in a study with knowledge of the process, the advantages and the disadvantages. To ensure compliance with the ethical principal of informed consent, the entrepreneur was informed of the true nature of the study as well its objectives so that they could make an informed decision to allow this study to take place. In addition, the participants of the study, which were the young entrepreneurs, were provided with sufficient information so that they could make an informed decision whether to take part in the study or not. Participants were asked to give consent that reflected their desire to participate in the study voluntarily. No participant was forced to take part in the study. The study was voluntary and the participants were made aware of their right to withdraw from participating in the study when they felt like withdrawing. Privacy and confidentiality was maintained during the data collection process. The interview data that was made during the interviews was kept strictly confidential.
DATA ANALYSIS

Data analysis involves summarising data using tables and graphs, inferential statistics and interpreting data in simple language. In other words, it is a process of getting information from data that the researcher converts into meaningful information. The quantitative data collected was organised, tabulated and analysed using descriptive and inferential statistics. Independent t-test was carried out to compare two groups of means. Reliability of the tool was tested using Cronbach’s alpha and construct validity was tested using factor analysis. Statistical Package STATA/MP 13 version was used to assist in data analysis.

Results and Interpretations

The present study was carried out on 50 entrepreneurs from Rajkot city, Gujarat State in India. Demographic details of selected respondents are given in Table 1. Out of the 50, 12 percent had a matric certificate, 22 percent were graduates, 4 percent were diploma holders and 62 percent were post-graduates or had higher education. This study focused on small and medium scale industries. There were 31 (62%) small scale and remaining 38 percent medium scale industries in the selected sample. The nature of the organisation was divided into two groups. The first group consists of sole proprietors; whereas, second group consists of partnership, family businesses and businesses of another nature. Out of total 50 industries, 56 percent belonged to first group and remaining 44 percent to the second group.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Levels</th>
<th>No of entrepreneurs</th>
<th>Percentage (n=50)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>Up to Matric</td>
<td>6</td>
<td>12.0%</td>
</tr>
<tr>
<td></td>
<td>Graduate</td>
<td>11</td>
<td>22.0%</td>
</tr>
<tr>
<td></td>
<td>Post Graduate</td>
<td>31</td>
<td>62.0%</td>
</tr>
<tr>
<td></td>
<td>Diploma</td>
<td>2</td>
<td>4.0%</td>
</tr>
<tr>
<td>Size of business</td>
<td>Small</td>
<td>31</td>
<td>62.0%</td>
</tr>
<tr>
<td></td>
<td>Medium</td>
<td>19</td>
<td>38.0%</td>
</tr>
<tr>
<td>Nature of Organization</td>
<td>Sole proprietor</td>
<td>28</td>
<td>56.0%</td>
</tr>
<tr>
<td></td>
<td>Partnership/Family Business/Other</td>
<td>22</td>
<td>44.0%</td>
</tr>
</tbody>
</table>

Reliability and Validity

Reliability of the scale was checked using Cronbach’s alpha for 16 statements related to challenges in running a business. The alpha value is 0.78, which shows good reliability of the scale.

Factor Analysis for Construct Validity

Factor analysis was carried out to check construct validity of the tool. For this study, factor analysis was performed on 16 statements related to challenges experienced in running a business for young entrepreneurs. KMO measures of sampling adequacy were used to examine appropriateness of factor analysis. In this study, it was 0.593, which was acceptable and justified the appropriateness of the analysis. Bartlett’s test of sphericity shows significance (p-value <0.001). Out of 16 statements, four factors were extracted and together contributed 57.87 percent of the total variance, which proved the validation of the factor analysis.
With the use of rotated matrix, four groups (factors) were formed: Start-up and Financing (SF); Business Registration and Regulatory (RR); Running Business (RB); and Business Support Services (BSS).

A five-point Likert scale: 1) Strongly disagree, 2) Disagree, 3) Neutral, 4) Agree, 5) Strongly agree was used to get perceptions of entrepreneurs on challenges experienced by them. For each group mentioned above, responses were totalled for each entrepreneur. Thus, the sum of responses in SF, RR, RB and BSS were obtained for each respondent. A higher value of the sum shows agreement on experience challenges.

**Challenges Experienced by Young Entrepreneurs**

During primary data collection, the researcher attempted to discover challenges experienced by the respondents through an open-ended question. As per the responses, the biggest challenge for young entrepreneurs to run a start-up company was the unknown market. Limited or no knowledge of customers and market requirement is a primary problem of the young entrepreneurs. Interest/choice of customers is an important thing which an entrepreneur should know for their business. Majority of the entrepreneurs found difficulty in understanding customers’ choice or test about the product/service. Demand and supply plays most important role in running any business. Entrepreneurs are feeling difficult to understand market requirement and source of supply of raw/other materials of the product. Young entrepreneurs are unable to understand market pattern. Struggle for supply chain, raw material and literacy in latest technology are challenges for the young entrepreneurs.

Another challenge was clarity in the cycle of taxation and other government laws to run businesses. For any newcomer in the business, it is very difficult to emerge from these problems. Recently the Indian government changed the format of taxation. Instead of sales tax, central excise and other taxes, central government has implemented a new tax formula, which is known as CST/GST. During 2017, many of modifications and changes in rules were made and hence entrepreneurs experienced problems in understanding and implementing legislation for their business. Entrepreneurs are being assisted by tax experts, lawyers or Chartered Accountants (CAs) for this purpose.

\[ H_0: \text{There is no significant difference in mean perception of challenges experienced by Sole Proprietor and Partnership business}. \]

Table 2 shows the comparison of mean perception on challenges faced by sole proprietors and partnership business entrepreneurs to run a new business. Mean score of start-up and financing is 14.79 among sole proprietors whereas it is 15.23 for those having partnership or family business. Mean perception score for business regulation and registration is 15.54 for sole proprietors and 16.00 for partnership/family business persons. Perception score for running business is 16.11 for sole proprietors whereas 13.59 for partnership/family business persons. Similarly, for business support services it is 8.86 and 9.05 for sole proprietor and partnership businessman respectively.

Both groups of entrepreneurs had the same perception regarding challenges faced in SF, RR and BSS (p-value>0.05) but in RB sole proprietor firms were facing more problems/challenges as compared to partnership business (p-value=0.005). Compared to BSS, respondents had more challenges in SF, RR and RB. SF and registration of business in regulatory body are
the biggest challenges for all new entrepreneurs. Lack of business experience, limited savings, family commitment, skill and training were major obstructions in the success of young entrepreneurs. The process of registering a new business is very long and complicated. Business rules such as taxation are not easy to understand. Moreover, they do not have much knowledge about the importance of patent, proprietary rights and trademark of their products and name. RB is more challenging for sole proprietors as compared to those having partnerships or family businesses. Lack of contracts, suppliers, suitable partners and network for business are major problems for young entrepreneurs. Human resource management and dealing with government officials are not easy for the sole proprietor.

Table 2
COMPARISON OF PERCEPTIONS REGARDING CHALLENGES BETWEEN TWO GROUPS (SOLE PROPRIETOR V/S PARTNERSHIP BUSINESS)

<table>
<thead>
<tr>
<th>Nature of Organization</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>t-value</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>SF</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sole proprietor</td>
<td>28</td>
<td>14.79</td>
<td>3.25</td>
<td>-0.524</td>
<td>0.603</td>
</tr>
<tr>
<td>Partnership/Family Business/Other</td>
<td>22</td>
<td>15.23</td>
<td>2.54</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sole proprietor</td>
<td>28</td>
<td>15.54</td>
<td>3.59</td>
<td>-0.468</td>
<td>0.642</td>
</tr>
<tr>
<td>Partnership/Family Business/Other</td>
<td>22</td>
<td>16.00</td>
<td>3.34</td>
<td></td>
<td></td>
</tr>
<tr>
<td>RR</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sole proprietor</td>
<td>28</td>
<td>16.11</td>
<td>3.27</td>
<td>2.965</td>
<td>0.005</td>
</tr>
<tr>
<td>Partnership/Family Business/Other</td>
<td>22</td>
<td>13.59</td>
<td>2.56</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Partnership/Family Business/Other</td>
<td>22</td>
<td>9.05</td>
<td>2.21</td>
<td></td>
<td></td>
</tr>
<tr>
<td>RB</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sole proprietor</td>
<td>28</td>
<td>16.11</td>
<td>3.27</td>
<td>2.965</td>
<td>0.005</td>
</tr>
<tr>
<td>Partnership/Family Business/Other</td>
<td>22</td>
<td>13.59</td>
<td>2.56</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Partnership/Family Business/Other</td>
<td>22</td>
<td>9.05</td>
<td>2.21</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: SF=Start-up & Financing; RR=Business Registration & Regulatory; RB=Running Business; and BSS=Business Support Services.

\( H_{02} \): There is no significant difference in mean perception of challenges experienced by Graduate/Lower and Post Graduate entrepreneurs.

Table 3 shows the influence of education of entrepreneurs’ perception regarding challenges faced to run business. Mean score of start-up and financing is 14.74 among graduates whereas it is 15.13 for those who have higher level of education. Mean perception score for business regulation and registration is 13.63 for graduates and 17.03 for post graduates. Perception score for running business is 15.05 for graduates (or lower) whereas 14.97 for post graduate business persons. Similarly, for business support services it is 9.68 and 8.48 for graduate and postgraduate businessmen respectively.

Perception in SF, RB and BSS was almost equal between two groups (p-value>0.05). In RR, postgraduate entrepreneurs were facing more problems/challenges compared to others (p-value<0.001). Respondents who had lower educational qualifications understand that it is hard to digest complicated rules of government on registration and regulation. Hence, they directly approached experts of this field like lawyers, tax experts or CAs to get this job done. On the other hand, respondents who had higher qualifications wanted to do this on their own. Hence, they had more experience of challenges compared to other entrepreneurs.
Table 3

COMPARISON OF PERCEPTIONS REGARDING CHALLENGES BETWEEN EDUCATIONAL QUALIFICATION OF RESPONDENTS

<table>
<thead>
<tr>
<th>SF</th>
<th>Education</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>t-value</th>
<th>p-value</th>
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<tbody>
<tr>
<td></td>
<td>Graduate or Lower</td>
<td>19</td>
<td>14.74</td>
<td>3.54</td>
<td>-0.454</td>
<td>0.652</td>
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<tr>
<td></td>
<td>Post Graduate</td>
<td>31</td>
<td>15.13</td>
<td>2.55</td>
<td></td>
<td></td>
</tr>
<tr>
<td>RR</td>
<td>Graduate or Lower</td>
<td>19</td>
<td>13.63</td>
<td>2.19</td>
<td>-3.823</td>
<td>&lt;0.001</td>
</tr>
<tr>
<td></td>
<td>Post Graduate</td>
<td>31</td>
<td>17.03</td>
<td>3.47</td>
<td></td>
<td></td>
</tr>
<tr>
<td>RB</td>
<td>Graduate or Lower</td>
<td>19</td>
<td>15.05</td>
<td>3.95</td>
<td>0.090</td>
<td>0.929</td>
</tr>
<tr>
<td></td>
<td>Post Graduate</td>
<td>31</td>
<td>14.97</td>
<td>2.73</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BSS</td>
<td>Graduate or Lower</td>
<td>19</td>
<td>9.68</td>
<td>2.60</td>
<td>1.530</td>
<td>0.132</td>
</tr>
<tr>
<td></td>
<td>Post Graduate</td>
<td>31</td>
<td>8.48</td>
<td>2.74</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: SF=Start-up & Financing; RR=Business Registration & Regulatory; RB=Running Business; and BSS=Business Support Services.

\[ H_{03}: \text{There is no significant difference in mean perception of challenges experienced by entrepreneurs from small and medium scale firms.} \]

Table 4 shows mean perception of selected small and medium scale entrepreneurs regarding challenges faced in running a new business. Mean score of start-up and financing is 14.87 for small scale whereas it is 15.16 for medium scale entrepreneurs. Mean perception score for business regulation and registration is 15.65 for small scale and 15.89 for medium scale entrepreneurs. Perception score for running business is 15.55 for small whereas 14.11 for medium scale business persons. Similarly for business support services it is 9.45 and 8.11 for small and medium scale businessmen respectively.

Mean perception of respondents of both types shows insignificant difference in perception (p-value>0.05). Though challenges in BSS were more experienced by small scale as compared to medium scale entrepreneurs (p-value=0.091). It concludes that size of entrepreneur is not significantly influence on perception of entrepreneurs.

Table 4

COMPARISON OF PERCEPTIONS REGARDING CHALLENGES BETWEEN SMALL AND MEDIUM SCALE FIRMS

<table>
<thead>
<tr>
<th>Business Size</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>t-value</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>SF</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small Scale</td>
<td>31</td>
<td>14.87</td>
<td>2.81</td>
<td>-0.332</td>
<td>0.741</td>
</tr>
<tr>
<td>Medium Scale</td>
<td>19</td>
<td>15.16</td>
<td>3.20</td>
<td></td>
<td></td>
</tr>
<tr>
<td>RR</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small Scale</td>
<td>31</td>
<td>15.65</td>
<td>3.49</td>
<td>-0.246</td>
<td>0.807</td>
</tr>
<tr>
<td>Medium Scale</td>
<td>19</td>
<td>15.89</td>
<td>3.46</td>
<td></td>
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</tr>
<tr>
<td>RB</td>
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</tr>
<tr>
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<td>15.55</td>
<td>3.22</td>
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<tr>
<td>BSS</td>
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Note: SF=Start-up & Financing; RR=Business Registration & Regulatory; RB=Running Business; and BSS=Business Support Services.
DISCUSSION

Entrepreneurs found problems in the market where they were able to sell their products; they did not know their customers or the market requirements. To overcome this problem, entrepreneurs should know the market, inter alia who wants the product, their need and reaction to the product. Swanson and Baird 2003 state that to establish a niche market where your technology and product could be profitable, you need to know your customers and markets a market where there is a commercial value for products or services being offered and there are customers who are interested in your product or services. These events of buying and selling are formally dependent on demand and supply, which is a golden rule of any business. Thus, identifying the market and its requirement is a challenge experienced by young entrepreneurs. To overcome this problem, they have to understand the requirements and interest of customers in the product or service.

Challenges like the struggle for supply chains, raw material and computer/technology literacy are also experienced by young entrepreneurs in Rajkot city. Park (2005) suggests that the start of the designing and starting a new business requires improvement in changes as per expectations of customers. New business, regardless of the size, faces problems to implement new/innovative ideas (Schlesinger et al., 2012).

Financial challenges are a lot different in India especially for online entrepreneurs. When a person starting new business, he/she don’t opt for venture funding but try to go with funding from small to medium business people or relatives/friends. Such non-technical business persons do not understand the business model as a whole and hence getting funding for them became very challenging (Santhi and Rajesh, 2011).

There are lots of changes/reforms in the policies of government from 1990s to current time. Rules and regulations of central/state governments has modified over the period of time. Before the current government, in India sales and service taxes were collected whereas it was totally converted in form of CST/GST format to get equalization in whole country. Modification in income tax rules are also made time to time which is another headache for the young entrepreneurs.

Table 2 depicts that there is no significant difference in perception of sole proprietor and joint business persons regarding challenges experienced in their start-ups. Compared to joint businesses, the sole proprietor has individual liability for the debts incurred by their business. They are personally liable for the legal issues of their business, whereas in joint businesses, all partners are liable (Beyers & Maswanganyi, 2016). The sole proprietors are at high risk of losing their personal assets whenever the business fails (Dorathy, 2015).

Table 3 shows no significant difference in running business and understanding regulation between entrepreneurs having lower and higher educational qualifications. Entrepreneurship education is essential in the successful running of the small and medium business enterprises (Fayolle & Gailly, 2015). Education on the entrepreneurship prepares the entrepreneurs on the management, financing and the marketing elements, which are essential in the running of the business operations. According to Bae (2014), there is a correlation between entrepreneurial education and the entrepreneurial intentions. The human capital and self-efficacy theories support this ideology. Educated entrepreneurs address the problems in critical and creative ways compared to those entrepreneurs with limited education (Nabi, 2017). Education is essential in analysing the competitors, advertising, current trends and the target market.
Table 4 infers there is no significant influence of business size on perception of entrepreneurs regarding challenges experienced during running a new business. Najim et al. (2013) concluded that entrepreneur’s properties like size of business do affect new projects’ chances of survival by twelve percent. Hamzah (2009) also gave similar findings. It is also consistent with the importance of leadership in a business which is highly subjective and required high commitment.

CONCLUSION

The study established that the young entrepreneurs in Surashtra Region (Rajkot) of Gujarat State, India are faced with financing difficulties. The lack of support to young entrepreneurs from financial institutions had an extraction of 0.642, which indicates that it is difficult for the young entrepreneurs to get funding for their ventures. According to Hampel-Milagrosa et al. (2015), funds are critical for the organisation operations. Most young entrepreneur’s stated that it was difficult for their business to attract funding. Additionally, lack of personal savings had a high extraction of 0.683, therefore, most young entrepreneurs have limited funds for the operation of their enterprises. Lack of business experience and family commitment, which obstruct the success of young entrepreneurs, was another prominent challenge facing the young entrepreneurs. It had a high extraction value of 0.816. According to Sarkar (2016), most of the family’s challenges obstruct the young entrepreneurs from attending to their business effectively. Another challenge with a high extraction value of 0.637 was business regulations (such as tax rules) that govern a business and are not easy to understand. According to Abraham et al. (2017), government policies such as taxation and registration affect the operation of the small business. Education of the entrepreneur affected their perception towards challenges. For instance, the perception in SF, RB and BSS was almost equal between the graduates and the postgraduate entrepreneurs. The postgraduate entrepreneurs reported experiencing adverse challenges compared to graduates concerning the registration of their business. The small-scale entrepreneurs experienced many challenges in BSS compared to the mediums-scale entrepreneurs. According to Burns (2016), small-scale has less employees and specialists, therefore, many support services challenges. Lastly, both the sole proprietors and partnership business had an almost equal perception of SF, RR and BSS challenges. However, the sole proprietors were facing more problems in running their business. According to Dorathy (2015), they are faced with governance-related challenges. Most of these businesses face challenges of recruiting the employees who possess the required experience and right skills to enhance operation efficiency within the business.

REFERENCES


