THE INFLUENCE OF ENTREPRENEURIAL CHARACTERISTICS ON THE FINANCIAL PERFORMANCE OF SMALL AND MEDIUM SCALE ENTERPRISES

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Abstract:

Purpose: This research study aims to examine the relationship between the entrepreneurial characteristics and financial performance of small and medium scale enterprises, also to find out the influence of entrepreneurial characteristics have on the financial performance of the small and medium scale enterprises in Pune, India.

Method: Data was collected through the random sampling method and the questionnaire was designed in five point ordinal scale precisely Likert scale. In total 254 entrepreneurs were administered with the questionnaire and data collected from 210 respondents were complete and useful for the research process. All the respondents are entrepreneurs from the industrial city Pune.

Statistical Analysis: Descriptive Statistics were used for Frequency Distribution, Mean, Standard Deviation; Cronbach Alpha for Reliability Test, Variance Inflation Factor (VIF) for Multicollinearity, Karl Pearson Correlation Coefficient, Two-Tailed –T-Test, F-Test, ANOVA, and Multiple Regression Analysis. And all the data was processed through IBM SPSS 23.

Findings: The study results showed that entrepreneurial characteristics have a significant and positive influence on the financial performance of small and medium scale enterprises located in the Pune, India**.** The most influential independent variable on the financial performance is risk-taking propensity followed by innovativeness, need for achievement, self-confidence, and locus of control.

*Keywords***:** *Entrepreneurial Characteristics, Financial Performance, Small & Medium Scale Enterprises.*

I. INTRODUCTION

Entrepreneurship is an essential feature in the growth of any nation as entrepreneurs are accountable for taking calculated risk, which helps to increase higher levels of economic growth. Entrepreneurs are the pillars on which the world and modern ideas continue to develop. According to Schumpeter (1934) entrepreneurship is synonym with business and economic growth since one concludes to be an entrepreneur when an enterprise launches however when an enterprise expands, one resumes to be an entrepreneur. Therefore, it can be stated that entrepreneurship is at the foundation of a free enterprise economy.

According to Khamis & Gumawa (2020) the significance of entrepreneurship towards economic development has been emphasised by numerous researchers since entrepreneurship offers advances concerning economic and social growth, as well as to the satisfaction of individuals since entrepreneurship goes beyond the age, gender, class, race and sexual orientation boundaries. Furthermore, Kuratko & Hodgetts (2008) and Timmons & Spinneli (2007) stated that entrepreneurship is accepted as a significant driver of economic growth, production, innovation, and employment and a vital part of economic force in changing enterprises thoughts into economic prospects. It is evident that entrepreneurship is a controlling influence on the economic growth and development (Abdulwahab & Al-Damen, 2015). According to Ajani & Oluyem (2016), the economic growth of countries can be determined by entrepreneurship since it can generate employment and therefore propose limitless chances to people and stated that most entrepreneurs begin their enterprises as small and medium scale enterprises (SMEs) or sole trading.

Although entrepreneurship is not usually connected with small enterprises, they are exceptional agents for individuals to focus their entrepreneurial aims. Therefore, small enterprises can be seen as an expansion of the person in charge (Lumpkin & Dess 1996). Small and medium scale enterprises (SMEs) play a significant part in the development of most of the economies and demonstrate to be one of the most practical segments with economic growth possibilities. Furthermore, SMEs add considerably in the development of a country. Research confirmed that small and medium scale enterprises have the ability to improve the gross domestic product (GDP) rate of a country. According to the Indian Ministry of Finance, the GDP rate is expected to grow 7 % for the year ending March 2023, this follows an 8.7 % growth in the previous financial year (2021-2022).

According to Mahadalle (2016) small enterprises plays a significant role in improving economic growth, relief in poverty and social justice. Furthermore, it can be stated that small-scale enterprises are an effective practice to ease poverty in generally all developing countries, since researchers found that small scale and medium enterprises have the ability to increase employment through job prospects and self- employment.

Entrepreneurial characteristic needs to be developed, nurtured, and maintained, though it is assumed that small and medium scale entrepreneurs have specific entrepreneurial characteristics that can contribute to the successful performance of their enterprises. Mahadalle (2016) stated that entrepreneur's competency is a useful tool to forecast the enterprise performance. Through the entrepreneurial approaches and skills, they can manage effective performances of small and medium scale enterprises. Islam et al., (2011) are of opinion that entrepreneurial characteristics are important factors that affects the success and performance of small and medium scale enterprises. Entrepreneurial characteristics, which are also known as personal and psychological factors, influence entrepreneurial performance (Blackman, 2003). Sarwoko et al., (2013) describes competence as an ability that a person is good in doing, like a talent that help to get a job done well. Characteristics are a crucial aspect of entrepreneurial competencies. The combination of capabilities, characteristics, knowledge, behaviour, as well as attitude are all vital for performance. Furthermore, competencies can be seen as the noticeable behaviour that are more joined to performance than other entrepreneurial characteristics like personality traits, intentions and motivation (Ng et al., (2013)

Statements of the Problem:

Since entrepreneurs have different characteristics and practices, it is significant to understand and study the relationship between the characteristics of the entrepreneur/the enterprise and entrepreneurial performance (Sarwoko et al., 2013). Considering the significance of entrepreneurial characteristics, the vital assumption of this study is to investigate the influence of entrepreneurial characteristics on the performance of small and medium scale enterprises in Pune and though many studies have been conducted on the impact of entrepreneurial characteristics on performance of SMEs, though, most of these studies are foreign based.

II.   LITERATURE REVIEW

2.1   Definition of Entrepreneur and Entrepreneurship

Entrepreneurship is a multi-dimensional theory with many diverse definitions since scholars define it all in another manner (Khamis & Gumawa, 2020). Bula (2012) state that the reason why entrepreneurship is constantly transforming and be subjected to the scholar view of it. To comprehend the entrepreneurship theory is needed to know who the entrepreneur is (Oyeniyi & Adeniji, 2010). The entrepreneurship is a multidimensional concept with many different definitions of the concept of entrepreneur and entrepreneurship.

Their meanings depend on when the definitions were developed as well as the culture in which the researcher foster it.

The word entrepreneur commences from the French verb, "entreprendre" and the German word "unternehmen" which both implies "to undertake" (Afonja 1999 in Adegbite et al., 2006). Richard Cantillon, (approximately 1755), a French economist of the 18th century, initiated the entrepreneurship concept in his writing, where he describes the entrepreneur as the representative who purchases measures of production at a definite prices with the intention of conjuring them with a new product. Furthermore, the entrepreneur is self-employed and the carrier of risk and uncertainty. In 1824, Jean Baptiste Say, defines that the entrepreneur is somebody who moves economic resources from a sphere of lower productivity to a sphere of higher productivity. He expands to Cantillion's definition by incorporating the thought that an entrepreneur is a person who connect additional people with the purpose to create a single productive enterprise. According to Drucker (1985), the definition of Say does not indicate who an entrepreneur is (Bula, 2012; Van der Laan et al., 2010; Adegbite et al., 2006). Schumpeter (1934) was one of the first to recognise as the entrepreneur as object significant to be studied. He describes the entrepreneur as an innovator; an individual who execute the latest pattern of enterprises through new product; services; raw resources; methods of manufacture and markets.

Other definitions in the 19th century from British economist like Adam Smith, David Ricardo, and John Stuart Mill explain the entrepreneurship concept in term of business management (Adegbite et al., 2006). In 1947, Schumpeter stated that Smith and Ricardo's definition underestimated the significance of entrepreneurship, while Mill emphasise the importance for economic development and growth. Entrepreneurship is described by Miao (2015).as an action that includes the detection, appraisal and utilisation of prospects to present new services and goods, methods of organising, marketplaces, procedures and unprocessed material via establishing attempts that beforehand had not occurred. Entrepreneurship is described by Timmons & Spinneli (2007) as a holistic approach, a manner of thinking, opportunity driven through way of reasoning and performance and are leadership focussed.

Oyeniyi & Adeniji (2010) define an entrepreneur as a person who recognise prospects, collect the needed resources and then produces and it accountable for enterprise performances. While Abdulwahab & Al-Damen (2015) describe the entrepreneur as someone who generate new and inventive things in a current economy. Van der Laan et al., (2010) define entrepreneurship as either starting or owning an own company, which lead to added value for the individual and community. "Entrepreneurship is the process whereby an individual or a group of individuals use organized efforts and means to pursue opportunities to create value and grow by fulfilling wants and needs through innovation and uniqueness, no matter what resources are currently controlled." Furthermore, he summarizes entrepreneurship as "the creation and management of new business, small business, and family business" (Ogidi & Peterson, 2021).

It is largely recognised that entrepreneurs "serve as agents of change; provide creative, innovative ideas for business enterprises; and help businesses grow and become profitable" (Kuratko & Hodgetts, 2008). According to Ajani & Oluyemi (2016) the entrepreneur assesses the prospects and vulnerabilities in the business environment and therefore make choices accordantly that will improve the enterprises to understand growth, economic development, and innovation. There are different that connect the entrepreneurship definitions, namely: innovation, opportunity recognition, profit, promoting economic growth, venture creation and change (Ogidi & Peterson, 2021).

2.2 Entrepreneur's characteristics

Competencies are explained by Boyatzis (1982) in Ng et al., (2013) "underlying characteristic of an individual that is casually (change in one variable cause change in another) related to superior performance in a job." According to Sarwoko et al., (2013) entrepreneurial competencies are described as characteristics of the individual that permits the entrepreneur to attain corporate success, which involves attitude and behaviour. These entrepreneurial competencies especially include entrepreneurial traits, motivations, self-esteem, attitude, skills, behaviour, and knowledge. Entrepreneurial competency is defined as the individual characteristics. Entrepreneurship characteristic (also known as personal and psychological factors) exists of many different dimensions or factors and therefore must be viewed in holistic manner.

Different entrepreneurial characteristic is described by various researchers and scholars and which are discuss in this study. Individual entrepreneur characteristics according to Islam et al., (2011) are divided into demographic characteristic (i.e., age, gender), individual characteristics (i.e., education, former work experience), personal trait (i.e., self-confidence, perseverance), entrepreneurial orientation (i.e., autonomy, innovativeness, risk taking, pro-activeness, competitiveness, aggressiveness and motivation), and entrepreneur readiness (also known as self-efficacy). According to Adegbite et al., (2006) the most important characteristics for an entrepreneur are the need for achievement, self-confidence, locus of control, independency, and perseverance. Furthermore, the ability to use opportunities, resourceful and creativeness is all needed for the performance of an enterprise. The opportunity, gathers the necessary resource, creates, and is ultimately responsible for the performance of the organization.

An individual with entrepreneurial skills, according to Rotter (1966) and (Ogidi & Peterson, 2021) can be differentiated from another, through certain personality characteristics like risk-taking, locus of control, pioneering and need for achievement. Siropolis (1994) categorised into six key entrepreneurship characteristics, namely: creativity, innovation, risk taking, self-confidence, hardworking, goal setting, and accountability. Personal traits like conscientiousness, openness to experience, emotional stability is connected to entrepreneurial characterises and are especially important to establish a positive impact on the performance of enterprises. Furthermore, personal traits are linked with the emotional intelligence, cognitive ability, risk tendency and proactive personality and these personal traits are connected to entrepreneurial purpose and entrepreneurial self- effectiveness (Miao, 2015).

Personal characteristics like locus of control, risk taking, need for achievement, problem-solving, creativity, and working value are all linked to entrepreneurial characteristics and leads to a positive impact on the performance of SMEs. Entrepreneurial behaviour, attitudes, and intention are interconnected. Some researchers observed that intention represents as an intermediary between the outcome of attitudes and the behaviour. These are connected to the personality and their environment, where the personality of entrepreneur determined by the family, social environment and culture (Mahadalle, 2016). Sarwoko et al., (2013) claimed that education, training and experience, family background and demographic aspects are features that influence the characteristic of entrepreneur. Entrepreneurial characteristics, which influence enterprise success, involves 1) Psychological factors: characteristics of individual as well as factors like Need for achievement, locus of control and personal traits. 2) Education and experience: higher level of education reflects that the reality that the individual is more capable.

From previous research the main characteristics are need for achievement, risk propensity, self-confidence, innovativeness, and locus of control will be the focus for this paper (Ogidi & Peterson, 2021).

2.2.1 *Need for achievement:* Abdulwahab & Al-Dame (2015) argued that need achievement is a psychological trait of entrepreneurs and can be described as the aspiration to connect an inner criterion of achievement. Need for achievement, according to McClelland (1961) is described as "a measurable factor in groups and individual are measured by coding an individual's spontaneous thoughts, for the frequency with which he thinks about competing with standard of excellence or doing something better than before." Furthermore, he reasoned that the Need for achievement is an inner drive to thrive and accomplish better things as well as that it is greater for entrepreneurs than for other persons. According to Ogidi & Peterson (2021) the need for achievement is established on the probability that a person can do something better and quicker than anyone else can, or improved than earlier. Entrepreneurs especially have a need for achievement, and attempt to make modifications in their own lives as well of those of others. The Need for achievement motivates the entrepreneur to attain higher criteria that guide him to victory.

2.2.2 *Risk-taking propensity*: The tendency for risk taking is a significant entrepreneurial characteristic and entrepreneurs are generally labelled as risk-takers (Abdulwahab & Al-Damen, 2015). Risk-taking propensity is defined as by Brockhaus (1980) "the perceived probability of receiving rewards associated with the success of a situation that is required by the individual before he/she will subject himself/herself to the consequences associated with failure, the alternative situation providing less reward as well as less severe consequences than the proposed situation." Entrepreneurs is expected to make premeditated economic risks with the aim of maximizing profit. Risk attitudes in SMEs are classified in risk-taking, risk-neutral and risk adverse, but entrepreneurship generates an added group namely calculated risk- taking. An entrepreneur might make a

logically decision to take a risk considering there is an opportunity for a reward (Ogidi & Peterson, 2021). Entrepreneurs are usually positive and have a specified level of self-confidence, which are link to risk takers.

2.*2.3* *Self-confidence:* Self-confidence is a crucial characteristic of an entrepreneur, which empowers entrepreneurs to have faith in themselves and have the capacity to attain their specified aims and objectives. Self-confidence is a needed requirement for effective entrepreneurship, as entrepreneurs have a higher level of self-confidence relative to non-entrepreneurs (Robinson, et al., 1991). Self-confidences is described by Abdulwahab & Al-Damen (2015), as the entrepreneur having faith in himself as well as to whatever degree he considers that he can take his enterprise to success. Entrepreneurs who have self- confidence does not consider that the victory or then collapse of their enterprise hinge on luck or any other outside factors, but have the confidence that it is them owns personal skills and power that allows them to accomplish their aims, whilst when confronted with obstructions.

2.2.4 *Innovativeness:* According to Schumpeter (1934) innovation is the invention and operation of fresh patterns while Ogidi & Peterson (2021) describe it as the pursuing, generating, acquiring, and executing of fresh products and or procedures. An entrepreneur's innovation behaviour is the aptitude own by an entrepreneur to create fresh ideas that are beneficial to the entrepreneur and the public (Schumpeter, 1934) thus, innovation is a daily action for entrepreneurs, which will direct them to accomplish their aims. Mirela (2008) stated that innovation is an entrepreneurial characterises which utilise change to achieve various trades or services and it is significant feature in the success and endurance of enterprises. Entrepreneurs are constant inspecting for different ways of doing, creating and advancing things and this differentiate entrepreneurs from non-entrepreneurs.

2.2.5 *Locus of control:* Locus of control is the manner an individual imagines a result, because of their conducts, could be affected by their characteristics and their reaction to a situation. This can comprise of the probability of the consequences because of fate or luck (Rotter, 1966). Locus of control can be differentiated between internal locus of control and external locus of control. Internal locus of control is where an individual is confident that he is in control of their chances, while with locus of control an individual does not have any control on situations. Individuals with internal locus of control are people who supposedly have a positive impact on their own fate, via personal competence, skills, and attempts (Henry et al., 2003:40). Internal locus of control behaviour is linked with entrepreneurs since they believe that they are control of situations and their conclusions (Ogidi & Peterson, 2021).

2.3   Entrepreneur's characteristics and SME financial performance

Entrepreneurial characteristics, which are personal skills and trait, have the ability to generate positive impact on the performances of an enterprise. Need for achievement are described of a person who aspire to succeed and it can be said that entrepreneurs especially have this characteristic. Researchers found that the need for achievement, creates a determination to achieve higher standards that leads to success. Furthermore, self-confidence is a crucial characteristic trait that have a positive impact on performance of enterprises, especially SMEs. Other important entrepreneurial characteristics, which can improve performance, are independence, risk-taking, responsibility, and experience (Abdulwahab & Al-Damen, 2015).

Researchers establish that biological factors do influence the actions of entrepreneurs, which can lead to the decrease in performance of a business (Miao, 2015). Some of the demographic factors that are linked with entrepreneurial characteristics and can influence business growth and performance are age, family background, education, and the working experience (Mahadalle, 2016; Tamizharasi & Panchanatham, 2010). According to Tamizharasi & Panchanatham (2010) some personal entrepreneurial characteristics that can improve enterprise performance are perseverance, hard work, risk- taking, enthusiasm, creativity, innovation, self-confidence, and time awareness.

The most crucial personal entrepreneurial characteristic according to Agbim et al., (2014) is self-confidence. Other characteristics that is just as important are self-effectiveness, goal setting, motivation, knowledge, skills, and locus control. All these characteristics have a positive impact on the performance of SMEs Entrepreneurial characteristics like education, value of personal, experience in work, a support network of professional, psychological factors and attribute are a few of the components are linked to enhancing the business growth (Sarwoko et al., 2013). According to Mahadalle (2016) personal characteristics like leadership

styles, creativeness and skill are strongly linked to entrepreneurial characteristics and it has been established that it has a positive impact on the performance of SMEs. Research done by Lee & Tsang (2001); Blackman (2003); Ogidi & Peterson (2021) illustrated that the owner/ entrepreneur is the crucial factor that influence the performance of small enterprises and especially the characteristics of the owner/ entrepreneur. Other empirical study found that entrepreneurial competence is related to business performance. According to Kabir et al., (2017) the greater the competence of the entrepreneur, the higher his accomplishment in business performance and equally the entrepreneurs who have lower competence will show lower performance. Previous researches on entrepreneurial competencies and performance concentrate on only two broad issues; entrepreneurial skills (Khamis & Gumawa, 2020) and entrepreneurial characteristics (Khamis & Gumawa, 2020; Sarwoko et al., 2013) Different researchers had discovered that there is positive relationship connecting entrepreneurial competencies and the performance of enterprises (Mahadalle, 2016). Previous research done indicate that competencies have a positive impact on SMEs performance (Covin & Miles, 1999).

Many studies have investigated the characteristics of prosperous entrepreneurs (McClelland, 1961; Brockhaus, 1980; Lumpkin & Dess, 1996). Mostly the characteristics that focus on are the Need for Achievement, internal Locus of Control, and Risk Taking Propensity, but in some studies, additional characteristics are studied as well.

Performance is described as "the act of performing; of doing something successfully; using knowledge as distinguished from merely possessing it" (Srinivasan et al., 1994). Performance is the degree of how a company attain its organisational and financial goals and therefore performance is usually connected with the prospect for success. Since business, performance consist of various aspects that influence performance, which makes it tough to measure. Entrepreneurial performance (also known as business performance or business success) is the degree of growth and the level of profit. It is further regarded as the level of sales, level of profit, rate of return on capital, rate of turnover and market share gained (Agbim et al., 2014; Sarwoko et al., 2013). Khamis & Gumawa (2020) suggest that previous studies shows that some researches use changes in sales, profit and assets to measure SMEs performance, while others used sales growth, profitability, return on investment and market share, while Lee & Tsang (2001) embraced sales growth, profit growth, and capital growth as the performance measurement.

III.   RESEARCH METHODOLOGY

This is a quantitative research study to examine the influence of entrepreneurial characteristic on the financial performance in small and medium scale enterprises in Pune. Multiple Regression Analysis was used to test the Hypotheses through SPSS version 23.

3.1   Hypotheses

H_0: Need for achievement has a no-significant influence on the financial performance of SMEs in Pune.
H_1: Need for achievement has a significant influence on the financial performance of SMEs in Pune.

H_0: Risk–taking propensity has a no-significant influence on the financial performance of SMEs in Pune.
H_2: Risk–taking propensity has a significant influence on the financial performance of SMEs in Pune.

H_0: Self-confidence has a no-significant influence on the financial performance of SMEs in Pune.
H_3: Self-confidence has a significant influence on the financial performance of SMEs in Pune.

H_0: Innovativeness has a no-significant influence on the financial performance of SMEs in Pune.
H_4: Innovativeness has a significant influence on the financial performance of SMEs in Pune.

H_0: Locus of control has a no-significant influence on the financial performance of SMEs in Pune.
H_5: Locus of control has a significant influence on the financial performance of SMEs in Pune.

Null Hypothesis = H_o; Alternate Hypothesis = H_1; H_2; H_3; H_4; H_5; Alpha Value: $\alpha = 0.01$

3.2   Model specification

Multiple Linear Regression Analysis is used in this this study to identify the influence that the independent variables have on the dependent variable. Based on the hypotheses, the model specification is presented as follows:

$$Y = \beta_0 + \beta_1 \chi_1 + \beta_2 \chi_2 + \beta_3 \chi_3 + \beta_4 \chi_4 + \beta_5 \chi_5 + \varepsilon$$

Y = Financial Performance (Fin Perf) as dependent variable
χ = Need for achievement (NA), Risk –taking propensity (RP), Self-confidence (SC), Innovation (IN), and Locus of control (LC) as independent variables.
β_0 = The intercept
β = Slope of regression line/ Regression coefficient
ε = Error term

Therefore, the regression model for this study is:
$$\text{Fin Perf} = \beta_0 + \beta_1 (NA) + \beta_2 (RP) + \beta_3 (SC) + \beta_4 (IN) + \beta_5 (LC) + \varepsilon$$

3.3   Data Collection and Questionnaire

3.3.1   Data Collection

The data collection was done through a questionnaire, which was randomly distributed to SMEs in the Pune with the focus on Katraj and Kondhwa areas. The target population size of SMEs in these areas was 750 SMEs. In order to determine the sample size for the study the following formula was used: $n = N/ 1+ N (e)^2$ Where n = sample size; N= predetermined population size and e = maximum acceptable error margin which is 5%. Therefore $n = 254$

3.3.2   Questionnaire

The questionnaire was divided into three sections, namely: Section A consist of questions related to the demographic characteristic of respondent; Section B questions related to entrepreneurial characteristics in terms of Need for achievement, Risk –taking propensity, Self-confidence, Innovation, and Locus of control and Section C, related to enterprise financial performance in terms of growth in sales and level of profit in the SME sector in Pune, India. Questions were constructed on a 5-point Likert scale to assess respondents' ratings. Items addressing expectations and perceptions were rated from 1 = "strongly disagree" to 5 = "strongly agree." The questionnaire was developed in English and also translated into Marathi, the local language. The purpose of this study was clearly specified in the questionnaire and participation was voluntary and confidential.

3.3.3   Questionnaire Response Rate

254 questionnaires were distributed to random SMEs in Pune. 222 questionnaires were collected, out of which 12 resulted as unusable. The questionnaire response rate shows that 94 % (210) of the respondents correctly filled the questionnaire, while 6 % (12) were unusable. The response rate is deemed high. Furthermore, it is recommended an approximately 30 participants per predictor. In the current study there are five predictors, therefore the number of 210 complete questionnaires is considered acceptable on the above recommendation. Table 1. Shows the number of questionnaires distributed and response and their response percentage.

Table 1: Questionnaire Distribution and Response Rate			
Total Questionnaire Administered	254		
Total Numbers of Questionnaires Returned	222		
Unusable Responses*	12	Percentage of questionnaire unusable	6%
Usable Responses	210	Percentage of questionnaire usable	94%
*Unusable Responses were because of missing data and alternations			

IV. RESULTS AND DISCUSSION

4.1 Reliability Analysis

The first step in the measurement process is reliability test. In this study, Cronbach's alpha was used to measure the internal consistency (reliability) 20 items of the five (5) Independent constructs which are Need for achievement, Risk–taking propensity, Self-confidence, Innovation, and Locus of control and four (4) items of one (1) Dependent construct which are Financial performance. Alpha values were above 0.7 is widely accepted as an adequate measure of reliability for a construct. Alpha values for the Independent Construct - Need for achievement = 0.872; Risk-taking propensity = 0.878; Self-confidence = 0.876; Innovation = 0.874.; Locus of control = 0.880, while the Dependent construct Financial Performance = 0.876. All the constructs strongly support internal consistency and reliability. The reliability scores are shown in Table 2.

Table 2: Reliability Analysis of the Research Variables			
Constructs	**Number of Items**	**Cronbach's Alpha**	**Result**
Need for achievement	4	0.872	Reliability Supported
Risk –taking propensity	4	0.878	Reliability Supported
Self-confidence	4	0.876	Reliability Supported
Innovation	4	0.874	Reliability Supported
Locus of control	4	0.880	Reliability Supported
Financial performance	4	0.876	Reliability Supported

4.2 Demographic Analysis

The respondent's information regarding gender, age, educational background and the number of years of experience in enterprise were collected (Table 3). The descriptive analysis revealed that the majority of the respondents (87 %) were male, whereas 13 % were female. In terms of the age distribution, most of the respondents was between 31 - 40 years (27 %) and above 50 years (26 %), while the least respondents were between 21 - 30 years (24 %) and 41 - 50 years (23 %). Concerning the education status of the respondent, the least respondents have either a PhD (0 %), a Master's Degree (19 %) or Graduation (21 %), while most of respondents have Higher Secondary (60 %). As regards to the number of years of experience in enterprise, most respondents (50 %) have between 4 to 6 years of experience, while 30 % have between 2 to 4 years' experience, while both the respondents of less than 2 year and more than 6 years are 10 % each.

Table 3: Demographic Characteristics of Respondents			
VARIABLES		**FREQUENCY**	**PERCENTAGE**
Gender of Entrepreneur	Male	182	87
	Female	28	13
	TOTAL	**210**	**100%**
Ages of Entrepreneur (years)	21 – 30 years	50	24
	31 – 40 years	57	27
	41 – 50 years	48	23
	Above 50 years	55	26
	TOTAL	**210**	**100%**
Highest Education Status of Entrepreneur	Higher Secondary	126	60
	Graduation	44	21
	Master degree	40	19
	PhD	0	0
	TOTAL	**210**	**100%**
Experience in the Enterprise	Less than 2 years	21	10
	2 – 4 years	63	30
	4 – 6 years	105	50
	More than 6 years	21	10
	TOTAL	**210**	**100%**
Source: Primary Data, 2023			

4.3   Descriptive Statistical Analysis

Descriptive statistics is used to review and describe raw data about basic configurations in the sample by permitting its understanding and interpretation. The objective of the descriptive statics is to describe the distribution of certain variables within a specific dataset. Table 4 gives the descriptive statistics of the computed variables. The mean value indicates the location of the centre of the data and the standard deviation is the spread of the data. Furthermore, the standard deviation indicates the variability of values in the data set; it is a measure of dispersion, showing how spread out the data points are around the mean. Together with mean, it also indicates percentiles for a normally disturbed population. According to the respondents in this study, the mean and standard deviations for the variables are Need for achievement (M = 3.5833; SD = 0.58353); Risk- taking propensity (M = 3.4893; SD = 0.55354); Self-confidence (M = 3.4548; SD = 0.64359); Innovation (M = 3.4726; SD = 0.62887); Locus of control (M = 3.3988; SD = 0.69529); and Financial Performance (M = 3.8452; SD = 0.46515). In table 4, the standard deviation is lower than 1, which indicated that the data clustered closely around the mean therefore more reliable.

Table 4: Mean (X) and Standard Deviation (SD)			
Variable	**Mean**	**Std. deviation**	**Interpretation***
Need for achievement	3.5833	0.58353	Very high level
Risk-taking propensity	3.4893	0.55354	Very high level
Self-confidence	3.4548	0.64359	Very high level
Innovation	3.4726	0.62887	Very high level
Locus of control	3.3988	0.69529	Very high level
Financial performance	3.8452	0.46515	Very high level
*Mean range interpretation on the level of entrepreneurial characteristics and financial performance: 3.26 - 4.00 Very high level 2.51 - 3.25 High level 1.76 - 2.50 Low level 1.00 – 1.75 Very low level			

4.4   Variance Inflation Factor (VIF)

The researcher has conducted tests on the collected data to find out the homoscedasticity and multicollinearity. Variance Inflation Factor (VIF) test was used to measure the multicollinearity for 20 items of the five (5) Independent constructs which are Need for achievement, Risk-taking propensity, Self-confidence, Innovation and Locus of control. Variance Inflation Factor values < 5 are widely accepted as an adequate strength to indicate there is no multicollinearity among the variables. The VIF test results in this study are less than the critical value 5, where 3.137< 5 for construct; Need for achievement; 2.907< 5 for construct Risk-taking propensity; 2.746 < 5 for construct Self-confidence; 3.519 < 5 for construct Innovation; 2.528 < 5 for construct, and Locus of control. The Tolerance values were found to be above 0.250 for all five constructs which meet the required criteria (Table 5).

Table 5: Variance Inflation Factor (VIF)			
Variable	**Tolerance**	**VIF**	**Critical Value**
Need for achievement	0.319	3.137	5
Risk –taking propensity	0.344	2.907	5
Self-confidence	0.364	2.746	5
Innovation	0.284	3.519	5
Locus of control	0.396	2.528	5

4.5   Correlation between Variables

Correlation analysis is a method of measurement to find if there is any significant relationship exist between the different variables. The correlation coefficient is represented by the letter r, and could take value between -1 to +1. The objective of this study is to measure the impact of the entrepreneurial characteristics constructs on enterprise performance and if there is any significantly correlation among the variables.

Karl Pearson correlation results indicate that a strong positive correlation exist when the r-values are above 0.6. In this study, a strong positive correlation exist between enterprise financial performance and all the entrepreneurial characteristics constructs. That is, performance is correlated with Need for achievement, ($r = 0.773$), Risk-taking propensity ($r = 0.762$), Self-confidence ($r = 0.724$), Innovation ($r = 0.773$), and Locus of control ($r = 0.700$). Furthermore, p-value < 0.05 indicate that there are significant correlations exist between the given constructs. The correlations are significant at the 0.01 level (2-tailed) for all the given constructs (Table 6).

Construct	Financial Performance	Need for achievement	Risk – taking propensity	Self-confidence	Innovation	Locus of control
Financial Performance Sig.(2-tailed)	1 0.000**					
Need for achievement Sig.(2-tailed)	0.773 0.000**	1 0.000**				
Risk-taking propensity Sig.(2-tailed)	0.762 0.000**	0.790 0.000**	1 0.000**			
Self-confidence Sig.(2-tailed)	0.724 0.000**	0.613 0.000**	0.517 0.000**	1 0.000**		
Innovation Sig.(2-tailed)	0.773 0.000**	0.592 0.000**	0.587 0.000**	0.765 0.000**	1 0.000**	
Locus of control Sig.(2-tailed)	0.700 0.000**	0.555 0.000**	0.561 0.000**	0.651 0.000**	0.758 0.000**	1 0.000**

Table 6: Correlation Matrix

** Correlations is significant at the 0.01 level (2-tailed)

4.6 Regression Analysis and Hypothesis Testing

4.6.1 Model Summary

The model summary of multiple regression analysis in Table 7 indicates the portion of the variance defined by the independent variables of the study, where R = 0.890, which is a strong correlation. The coefficient of multiple determination $R^2 = 0.791$, which means that the influence of the six independent variables of entrepreneurial characteristics stated in this study is 79.1% on financial performance in SMEs. Furthermore, that 20.9 9% are other unexplainable components that contributes to the variance on enterprise financial performance. Additionally, the multiple regression analysis shows the adjusted R^2 which indicates the fit of the analysed data to undergo the regression model to the analysed data. When the adjusted R^2 value is over 0.5 it indicates that there is a strong fit, which means that in this study that the five independent variables are fitting strongly at predicting enterprise financial performance. This ascertains that entrepreneurial characteristic has a strong influence on the financial performance of SMEs.

Table 7: Model Summary [b]

Model	R	R^2	Adjusted R^2	Standard Error Estimate
1	0.890 [a]	0.791	0.786	0.21508

a. Predictors (Constant) : NA; SC; RP; IN; LC
b. Dependent Variable: Financial Performance

4.6.2 Analysis of Variance (ANOVA)

Analysis of variance (ANOVA) indicates the variance between the variables. The *p*-value (Sig. meaning significance) is link to the null hypothesis and the coefficient of all the independent variables are 0.000, where *p*-value is < 0.05, which indicate significance. Table 8, a low *p*-value, which indicates a significant relationship exists between the dependent and independent variables. This implies that the independent variables are significant in assessing the financial performance in Pune SMEs.

Table. 8: Analysis of Variance (ANOVA)[a]					
Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	35.783	5	7.157	154.708	0.000 [b]
Residual	9.437	204	0.046		
Total	45.220	209			
b. Dependent Variable : Financial Performance					
a. Predictors (Constant): NA; SC; RP; IN; LC					

4.6.3 Hypotheses Test Results

Multiple regression analysis used to test the entrepreneurial characteristics, namely, need for achievement, Risk-taking propensity, Self-confidence, Innovation, and Locus of control in terms of effecting the financial performance on the part of SMEs in Pune. Therefore, the Regression Model for this study is:
Fin Perf = $\beta_0 + \beta_1$ (NA) + β_2 (RP) + β_3 (SC) + β_4 (IN) + β_5 (LC) + ϵ

The regression output among other data gives the β coefficients for each independent variable. These coefficients will be interpreted for each independent variable comparing to the priori expectations that all the β coefficients are > 0.

Hypothesis 1: Need for achievement has a significant influence on the financial performance of SMEs in Pune.

As shown in Table 9 the outcome of the regression coefficients indicates, a positive relationship exists between need for achievement and financial performance. The result is in line with a priori expectation that $\beta_1 > 0$. This means that a unit increase in need for achievement will result in a corresponding increase in SME financial performance by 0.242 units. The t - value is 4.277 (larger than the tabular value 1.96). The *p*-value is less than $\alpha = 0.05$ ($p = 0.000$). All these statistical results support the H_1 about the significant role of need for achievement in achieving financial performance on the part of Pune SMEs.

Hypothesis 2: Risk-taking propensity has a significant influence on the financial performance of SMEs in Pune.

As shown in Table 9 the outcome of the regression analysis indicate that a positive relationship exists between risk-taking propensity and financial performance. The result is in line with a priori expectation that $\beta_2 > 0$. This means that a unit increase in risk-taking propensity will result in a corresponding increase in SME financial performance by 0.272 units. The t- value is 4.989 (larger than the tabular value 1.96). The *p*-value is less than $\alpha = 0.05$ ($p = 0.000$) All these statistical results support the H_2 about the significant role of risk–taking propensity in achieving financial performance on the part of Pune SMEs.

Hypothesis 3: Self- confidence has a significant influence on the financial performance of SMEs in Pune.

As shown in Table 9 the outcome of the regression analysis indicate that a positive relationship exists between self- confidence and financial performance. The result is in line with a priori expectation that $\beta_3 > 0$. This means that a unit increase in self-confidence will result in a corresponding increase in SME financial performance by 0.164 units. The t - value is 3.088 (larger than the tabular value 1.96). The *p*-value is less than $\alpha = 0.05$ ($p = 0.002$). All these statistical results support the H_3 about the significant role of self- confidence in achieving financial performance on the part of Pune SMEs.

Hypothesis 4: Innovativeness has a significant influence on the financial performance of SMEs in Pune.

As shown in Table 9 the outcome of the regression analysis indicate that a positive relationship exists between innovativeness and financial performance. The result is in line with a priori expectation that $\beta_4 > 0$. This means that a unit increase in innovativeness will result in a corresponding increase in SME financial

performance by 0.263 units. The t - value is 4.383 (larger than the tabular value 1.96). The *p*-value is less than α = 0.05 (*p* = 0.000). All these statistical results support the H$_4$ about the significant role of innovativeness in achieving financial performance on the part of Pune SMEs.

Hypothesis 5: Locus of control has a significant impact on the financial performance of SMEs in Pune.
As shown in Table 9 the outcome of the regression analysis indicate that a positive relationship exists between locus of control and financial performance. The result is in line with a priori expectation that β$_5$ > 0. This means that a unit increase in locus of control will result in a corresponding increase in SME financial performance by 0.107 units. The t - value is 2.108 (larger than the tabular value 1.96). The *p*-value is less than α = 0.05 (*p* = 0.036). All these statistical results support the H$_5$ about the significant role of locus of control in achieving financial performance on the part of Pune SMEs.

Table 9: Multiple Regression Analysis (MRA)				
Hypotheses Statement	**β**	**t-value**	***p*-value**	**Test Result**
H$_1$: Need for achievement on financial performance	0.242	4.277	0.000	Null Rejected
H$_2$: Risk –taking propensity on financial performance	0.272	4.989	0.000	Null Rejected
H$_3$: Self- confidence on financial performance	0.164	3.088	0.002	Null Rejected
H$_4$: Innovativeness on financial performance	0.263	4.383	0.000	Null Rejected
H$_5$: Locus of control on financial performance	0.107	2.108	0.036	Null Rejected
β = Standardized Coefficients Beta value				

V.   CONCLUSIONS

The study has examined the influence that entrepreneurial characteristics have on the financial performance of small and medium scale enterprises in Pune, India. This study revealed that entrepreneurial characteristics have a significant and positive influence on the financial performance of small and medium scale enterprises. Precisely the independent variable having the most influence on the financial performance of small and medium scale enterprises is risk-taking propensity with 27.2 % followed by innovativeness 26.3%, need for achievement 24.2%, and self-confidence 16.4%, and the least influential variable is locus of control with 10.7%.

Furthermore, in small and medium scale enterprises nearly 77.7% of the financial performance is collectively influenced by three entrepreneurial characteristics, such as, risk-taking propensity with 27.2 %, innovativeness 26.3% and need for achievement 24.2%. In other words, these three characteristics are dominant independent variables in creating a positive influence on the dependent variable called financial performance.

Over all the study revealed the data validation was 100%, and reliability was around 0.8, where threshold value was around 0.7, the variance inflation factor (VIF) was tested to measure the multicollinearity for 20 items of the five (5) constructs and all the values were found to be below 4, whereas the threshold value was around 5. The model fitted well and the standardised beta values for all the independent variables are greater than 0.

This study has focused on the SMEs located in an industrial city in India to obtain the samples, in-turn the findings and results are restricted to some extent. However, this research study can be conducted at state or national level to give a broader scope and generalisation of results. The findings can be useful for the new and existing small and medium scale enterprises to think on the given entrepreneurial characteristics, which influence and improve the financial performance in small and medium scale enterprises.

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