



## **A STUDY ON THE PATTERN OF FUNDING OF URBAN UNORGANIZED ENTERPRISES IN BENGALURU**

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Article DOI: <https://doi.org/10.36713/epra11021>

DOI No: 10.36713/epra11021

### **ABSTRACT**

*Unorganized enterprises are owned by individuals or households and it is involved in the production and sale of products and services. Unorganized enterprises are considered one of the major businesses that contribute to the economy indirectly through employment generation and manufacturing one-time consumable product and also contribute to gross domestic products. The problems faced by unorganized enterprises such as insufficient financial resources, arrangement of collateral securities, identifying the creditors, high interest rate and no proper document. Unorganized enterprises some time they generate capital through personal saving, friends and relatives, and also they borrow from money lenders pawn brokers and unregistered finance companies, because they provide required capital but the rate of interest is high. Because of this reason this paper is going to examine the pattern of funding followed by urban unorganized enterprises in funding their business. Descriptive method is used to collect the data. Primary data is collected in the form of a questionnaire, while secondary data is collected through articles etc., Statistical tools like Annova are used to interpret the data. The probable outcome of the study is unorganized enterprises majority of them are basically using their small saving and approaching the private finance agencies for the remaining capital. The paper is an attempt to identify the pattern followed by this unorganized enterprise to establish their enterprises and showing an inside to the problems faced by them in arranging funds.*

**KEY WORDS:** urban unorganized enterprises, pattern of funds, money lenders, indigenous entrepreneurs

### **INTRODUCTION**

Unorganized enterprises are owned by individuals (or households) and which are involved in the production and sale of products and services these are based on a sole proprietorships or non-registered partnerships basis, and also contribute the economy and gross domestic product. This enterprise includes indigenous entrepreneurs, self-employed, proprietary and partnership firm traders and other services providers like tour operators, boutiques, hotels, parlors and dealer's vegetable and fruit shops etc. unorganized enterprises are use personal savings or they borrow from relatives and friends in order to raise funds. and any other sources such as creditors in trade, chit funds, unregistered finance companies. Sometimes they approach the money lenders or pawnbrokers to provide the small amount of capital that is required to be lent by them, by charging a high rate of interest which reduces the profit prospects of the unorganized enterprises. Unorganized enterprises are facing major problems such as insufficient space for expansion, arranging of collateral securities, lack of technology and skills, financial resources, raw materials, interest rate, difficulty in obtaining fund this are problems faced for enterprises.

### **REVIEW OF LITERATURE**

**Surbhi kapur and prasana sethy (2014)** has observed the unorganized enterprises and has concluded in that government intervention in taking necessary steps at the legal policy for unorganized workers is required for improving their working and living condition. **Nitika diwaker and Tauffiqu Ahamad (2014)** **Nitika Diwaker and Tauffiqu Ahamad (2014)** have interpreted that unorganized enterprises are creating employment opportunities and facing some problems such as lack of skills and technology, inadequate space for expansion, credit, and infrastructure. Unorganized enterprises face some challenges, such as not being aware of government schemes and bank loan procedures, which could incur interest rates. **Anthony p. D' Souza (2013)** has interpreted that the unorganized sector contributed significantly and expanded rapidly in the economy. Self-employed people operate their own businesses with few



workers and face some problems, such as a shortage of capital for starting a new business, a lack of skills and technology, and a lack of marketing facilities. People are ready to accept a loss in unorganized businesses.

According to the study's analysis of the literature, it was discovered that no research had been done regarding developments in the unorganized enterprises. This research explains the capital mobilization process by urban unorganized enterprises in Bengaluru. With this note, the study was conducted to analyze the capital mobilization of urban unorganized enterprises. The unorganized enterprises lack various facilities like technology, updated skills, and the ability to work with very few laborers. Because of these problems, they face many losses in their business.

## STATEMENT OF PROBLEM

The Unorganized enterprise are the small business enterprises established in the local residential areas who demand a very low capital. Unorganized enterprises provide employment to the local residents in turn contributing to GDP by improving the standard of living, creating wealth and providing employment continuously. Though their contribution to the economy is highly regarded they face many problems like difficulty in obtaining funds through organized lenders, high interest rates, lack of skills, unavailability of raw materials, and lack of technology. They borrow money from pawn brokers and money lenders, unregistered finance companies as they are easily approachable, provide very small quantity of fund, but charge a very high rate of interest. The main aim of this study is to determine the pattern followed by the Unorganized Enterprises in raising the required capital & to identify the problems faced by them in this process.

## OBJECTIVES OF THE STUDY

- To identify sources of finance for unorganized enterprise in Bengaluru north.
- To analysis the rate of interest charged by unorganized funding market

## RESEARCH DESIGN

The type of research used in is descriptive analysis. This study mainly focuses on urban unorganized sector. The primary data is collected through questionnaire, while secondary data through websites, books, articles. For the purpose of this research convenience sampling is used. The sample size for the study is 100 people from Bangalore. The tools used in this research is Anova.

## HYPOTHESIS

H0: There is no significant difference between the interest rate charged by different groups of money lenders

H1: There is significant difference between the interest rate charged by different groups of money lenders

### WHAT IS THE RANGE OF INTEREST CHARGED BY UNORGANIZED FUNDING AGENCIES

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
CHIT FUNDING	29	1.8276	.80485	.14946	1.5214	2.1337	1.00	3.00
MONEY LENDERS / BROKER	47	1.6383	.70481	.10281	1.4314	1.8452	1.00	3.00
INDIGENOUS BANKERS / PAWN BROKERS	13	2.2308	.83205	.23077	1.7280	2.7336	1.00	4.00
UNREGISTERED FINANCE COMPANIES	11	1.9091	1.04447	.31492	1.2074	2.6108	1.00	4.00
Total	100	1.8000	.80403	.08040	1.6405	1.9595	1.00	4.00

**ANNOVA**

WHAT IS THE RANGE OF INTEREST CHARGED BY ORGANIZED FUNDING  
AGNCIES CHARGE

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	9.693	3	3.231	5.650	.001
Within Groups	54.897	96	.572		
Total	64.590	99			

**CONCLUSION**

P Value = 0.01

Level of significant 0.05

The p value is lesser than level of significance therefore H1 is accepted. Hence there is significant difference between the interest rate charged by different groups of money lenders

**FINDINGS AND CONCLUSION**

- Majority of the respondents are male and they belong to the age group ranging between 44 years.
- It is found out that most of the respondents have establish vegetable and fruit shop.
- It is found out that majority of respondents her facing challenges for funding the business
- Majority of respondents borrow money for high rate
- Unorganized enterprises fund their business through personal saving and friends and relatives
- It is found that majority of unorganized enterprise's initial investment is from Rs.100000 to Rs.200000
- Money lenders have on easy approach because of which unorganized enterprises approach them, though they offer higher interest.

Unorganized enterprises are owned by individuals, and they are involved in the production and sale of products and services. Majority of the funding comes from relatives, friends, and unorganized money lenders. They approach money lenders because they have fewer requirements and an easier approach, but they also face problems like high interest rates. According to the study, banks should educate unorganized businesses on the banking processes involved in borrowing money, as well as loan interest rates and business benefits.

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