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RESEARCH ARTICLE

"EXPLORING FINANCING PREFERENCES AMONG INNOVATIVE ENTREPRENEURS: A STUDY ON SELECTED BUSINESS FUTURISTS"

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Abstract

Entrepreneurial financing decisions are much of the focussed area of research by many researchers in the field of finance, where the emphasis will be mainly on various sources of finance available, but at the same time understanding the purpose of the financial requirement is a major concern, because when the decision has to be made concerning the preference on the capital structure by an entrepreneur it depends on their personal preferences in terms of risk and returns. This research delves into the critical understanding of different source of finance required in different stages of development,employing a qualitative research approach, the study engaged with 9 entrepreneurs from varised age brackets, genders and sectors within Bengaluru, India.The participants attended the interview through telephonic and video conferencing to throw light on the entrepreneur's preferences for various sources of finance. By examining the preferred financing methods of these entrepreneurs, the study seeks to uncover patterns, challenges, and opportunities unique to their ventures. The findings aim to inform both academic discussions and practical applications in the realm of entrepreneurial finance, offering valuable implications for policymakers, investors, and aspiring entrepreneursalike.

Introduction:-

Financing the entrepreneurs and their innovation is rapidly evolving(Kaur et al., 2022). In different stages of entrepreneurship financial support is provided in various modes and even entrepreneurs are bringing together the various sources of finance such as funds from family, friends, angel investors, venture capitalists, and banks so on(Madhoushi, 2015). Recent changes and development have marked the new financial alternatives for seeding and supporting entrepreneurship and have contributed to the efficient flow of entrepreneurial capital. Entrepreneurs now utilize many sources of financing such as microfinance, crowdfunding and peer to peer innovations individually or in combination, to utilize opportunities they discover(Sierra, 2020). The success of any business depends on identifying the right financial opportunity at the right time and utilizing it for successful establishments. Angel investors are another source of finance that majorly contributes to the initial stages of business and leads to its development(Bastié et al., 2013). Innovative enterprises are the mechanism that leads to economic growth, development, and the creation of a job. They utilize new ideas, technology, invention, market, and scientific awareness(Audretsch et al., 2020). A company has to go through different development stages in life which contributes to a successful enterprise (Seed, start-up, early growth, and expansion). Innovation is a recent

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phenomenon and is intrinsic to human development, the emergence of innovation has changed human behaviour, labour methods, and work features of the history of humanity(Oslo Manual 2018, 2018).

Numerous studies have delved into the realms of entrepreneurial innovation, innovative entrepreneurs, and entrepreneurial finance in isolation, with only limited attention given to the financial dimensions specific to innovative entrepreneurs. Recognizing the essential interplay between innovation and finance, this paper argues for a more balanced focus on both aspects. The research is structured into three main sections. The initial part centres on outlining the theoretical development process employed in the study, establishing a robust conceptual foundation. Subsequently, the qualitative segment underscores the research methodology, encompassing the selection of entrepreneurs, additionally, the study outlines the methodologies employed for gathering and examination of data. The final section of the paper highlights key findings and offers a comprehensive summary of significant contributions, providing valuable implications for further scholarly exploration.

Entrepreneur

An entrepreneur serves as a catalyst for economic changes, driving innovation and demonstrating the capacity to shoulder risks and embrace challenges (Manimala, 1992). This individual introduces novel and creative elements that contribute not only to organizational growth but also to societal development. Entrepreneurship is characterized by the proactive pursuit of opportunities, regardless of the existing resource constraints(Wong et al., 2005). In this context, an entrepreneur is perceived as someone who initiates a business venture with a combination of personal savings and funds from various sources(Schwienbacher, 2007).

Moreover, entrepreneurs play a crucial role as significant contributors to technological innovation within a country. They are the driving force behind the establishment and management of their own enterprises, demonstrating a willingness to take risks, innovate, and generate employment opportunities(Walsh et al., 2008). The entrepreneur is one inexplicably with the reduced low-risk repugnance(Hirshleifer et al., 2018). This multifaceted approach to entrepreneurship underscores its pivotal role in shaping economic landscapes and fostering innovation, as supported by various scholars in the field.

Innovation:

Innovation is a prejudiced concept and whether some activity succeeds as an innovation or not it depends on the observer's perspective, the criteria to look at innovation from a micro to a macro perspective and which should also be the right perspective is the essence of identifying innovation(Yin et al., 2014). From an economic perspective a product, service, or production process need now have to be new to have an economic impact but it would be sufficient if the innovation is new to the market (Ullah, 2019). Taking a different perspective for an individual to start a business and which is the opportunity that is apt in today's scenario is the most important consideration(Al-Sa’di et al., 2017).

Innovative Entrepreneurs:

Entrepreneurs have a different mindset in considering the opportunities and bringing in various resources to exploit these opportunities narratively. This is where we can draw on that managing information and knowledge plays a significant role in whether investors can meet the necessary capital for entrepreneurs towards their new innovation (Aiello et al., 2020). Most of the papers neglect the need for innovation in entrepreneurs, which is the important aspect to be considered (Huang & Hou, 2019). Emphasis should be made on certain aspects as some entrepreneurs are more innovative than others. Innovative entrepreneurs are essential in the process of economic growth and development(Rigotti et al., 2003). They are the ones who create a business that manufactures narrative products and services, which in turn contributes to productivity and well-being(Ratten, 2014).

Financing entrepreneurial Innovation:

The Financial requirements of innovative entrepreneurs vary according to their feasibility and the development of the product followed by costs, length of the market development, and its process (Giraudo et al., n.d.). The creation and development of innovative enterprises require hopeful opportunities, financial resources, and admittance to operational, marketing, financial, and managerial expertise. Various government policies have also been initiated to support entrepreneurs and investors to create and finance new opportunities(Jones et al., 2019). Concentration should also be made on direct support such as business support services, feasibility grants, etc, and also indirect support such as technical support, angel investors, corporate venture capitalists, etc(Fan & Zhang, 2017).

Objectives of the study:-

Drawing upon the outcomes of the review of existing literature, the subsequent objectives have been defined.

1. To examine the financial requirement linked with innovative entrepreneurs.
2. To perform a qualitative case study examining the financial choices of entrepreneurs in different stages of their growth and development.

Research Methodology:-

The intention of the research was to discern the financial sources of innovative entrepreneurs and arrange them under a common dimension. The research utilized a qualitative multiple case study design, incorporating both inductive and deductive approaches.

Selection of Entrepreneurs:

During the study, the entrepreneurs were selectedaccording to the characteristics of their businesses, including sector, span of business, and their views on the available sources of finance during the different phases of their survival and development. Here innovative qualities were identified with constructive attributes that drive an entrepreneur to convert ideas into existence. These entrepreneurs were identified from Bangalore, and was interviewed based on their convenient schedule and prior approval.

Data collection and analysis process

Interviews (all 9 through video conference) were conducted to understand the various financial sources of an entrepreneur in different stages of their development and the respondent and company details are anonymized. A Prior appointment was taken from the respondent for conducting the interview, the data collection process was briefed to them, and the concept. The respondents were interviewed for 1 hour on various aspects which will validate the study.

Drawing from data gathered from both internal and external sources, a series of open- ended questions were formulated. The following structure was followed in the interview process.

Phase I- Motivational Factors, journey as an entrepreneur - initial stages, financial sources, setting up of business, initial customers, financial requirement, and utilization of available resources.
Phase II- Sources of finance, Growth strategy, Development, and other challenges in terms of finance.

Figure 1: Illustrate the comprehensive process of gathering and collecting data for the study involving 9 entrepreneurs. It shows the nature of the business of entrepreneurs, the year of establishment, various sources of funds, and confronts. The study employed a content analysis method to analyze the data obtained from interviews. Initially, the process involved reading and comprehending the complete interview descriptions. Secondly, the research scrutinized the data to find the various challenges of the entrepreneurs specifically the financial aspects. After which the researcher refined and combined for conceptual consistency. From the information collected from the entrepreneurs, all of them agree they had to face one or the other financial confronts, but that should not become a hurdle in the process of growth and development.

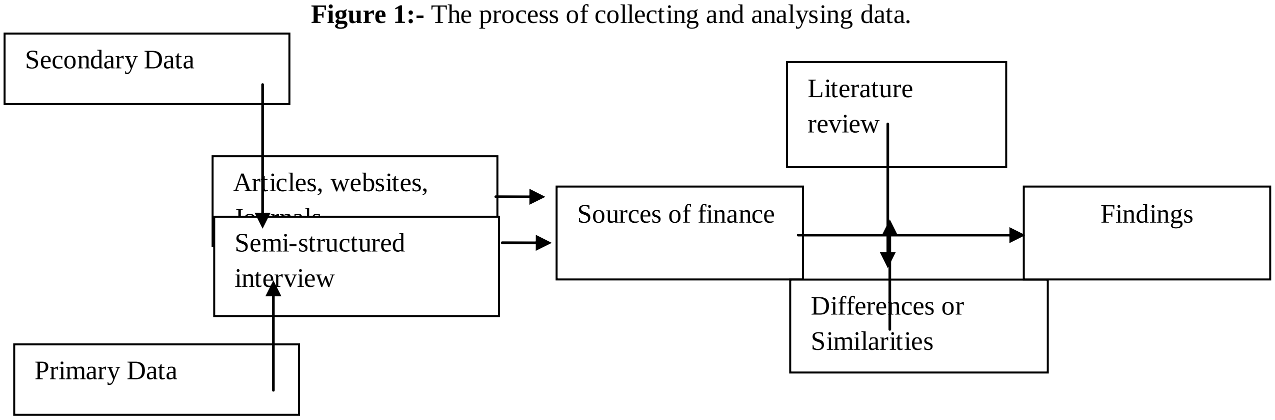
Table 1:- Modes of Financing and Confronts.

Entrepreneurs	**Nature of Business**	**Year of establishment**	**Sources of funds**	**Confronts**
1.	Manufacturing	1992	Owners Capital, banks, retained earnings, government agencies	Project development, innovation, and competition.
2.	Manufacturing	1984	Borrowed funds, banks, retained earning	Competition, Availing government benefits, price fluctuations.
3.	Manufacturing	2001	Owners Capital, retained earnings,	Test chambers development
4.	Distribution	1993	Owners Capital, Borrowed funds, retained earnings.	Too many formalities, licensing fees, government policies.

5.	Service	2009	Owners Capital, retained earnings	Designing, Clients
6	Producer	2016	Owners Capital, Equity Finance, retained earnings.	Efficient utilization of funds.
7.	Manufacturing and services	1995	Earned funds based on services, retained earnings.	Innovation, system designing, and unparalleled expertise
8.	Manufacturing	2017	Owners Capital	Creating Awareness, Efficient utilization of funds.
9	Manufacturing	1992	Owners Capital financial institutions	Availing government benefits

Source: Company's website and video conferences with each participant.

Figure 1:- The process of collecting and analysing data.



Note: Revised from(U. Itam et al., 2020)for the study.

Sl.No	Sources of Funds	Attributes
1.	Internal Source of funds	Owners Capital, Retained earnings, Earned funds
2.	External source of funds	Bank Funds Grant or subsidies Family or Friends Equity Finance

Summary of sources of funds preferred by entrepreneurs in different stages of development.

Entrepreneur: 1

Was working in a private company for 5.5 years, choose to do something innovative independently so decided to quit his job and started a business in the field of tool designing, the main source of capital for the business was Rs 70,000 which the entrepreneur had received from the company in the form of PF and gratuity and those stages he was not much aware of how to get the financial support, later he started attending the program which was organized by the government and through which he got in contact with many government officials and bank officers through which he developed a project report and got the finance from a bank. And later he was able to reach out to the customers and started accumulating new orders and they were successfully able to manage the sources for their financial requirements. Later based on the projects filed even the government agencies funded their project.

Entrepreneur 2:

Who wanted to complete her graduation and work as an employee, but with the motivation and guidance of her father developed her own business. In the year 1984 with the gold loan amount of Rs 10,000 which was her initial investment started a tailoring shop that used to meet big orders, it was not so easy to meet the order of big companies later in the next stage in the year 1985 she borrowed an additional loan of Rs. 15,000 from a bank and in 1986 and 1987 she faced huge losses due to the non-commitment of her employees. And later due to her hard work and commitment the number of clients increased and in the year 2000 she bought a garment factory for Rs 5, 00,000. Due to one of the customers, she had to bear a loss and again she borrowed from the bank. Even now the entrepreneur is facing lots of difficulty due to competition from neighbouring countries, government policies, price fluctuations, availing of government benefits.

Entrepreneur 3:
Started his career as a lecturer in a private college in Bangalore, not being happy with the growth opportunity and striving to do something more he was looking for other opportunities, based on the suggestions of one of his uncles he was recruited as marketing personnel in a laboratory equipment manufacturer. He liked this opportunity and started working closely and understood the manufacturing process completely. Due to his hard work within 3 months lots of orders poured into the company so his boss partnered with him to start a manufacturing unit for laboratory equipment to cater to the South Indian market and in the year 1981 they started a new company and in the year 1990 he completely managed the business, in the year 2001 he started his own company with the support of his elder son as well, so he initially depended on the finance that he had accumulated as an employee which became his major source of finance, later based on the number of orders received profits were generated and today they are importing their products to more than 40 countries.

Entrepreneur 4:
Commenced business of LPG supply in the year 1993 with the partnership of his younger brother and with the initial investment of Rs 27,00,000, where 10,00,000 was invested from the personal sources and the remaining Rs 17,00,000 through the finance obtained from KSFC with lots of odd they started the business. Initially, the first 2 years were critical but later with the major order the company found great success from 1997 to 2003, the company also faced lots of difficulty in terms of financial challenges as there were too many licensing required followed by a huge fee for every license, credit rating was important and even those fees should also be borne by the entrepreneur, obtaining funds from banks were difficult which required lots of formalities and collateral securities to be met.

Entrepreneur 5:
Was not happy being an employee and with the urge to start his own business and always wanted to be an entrepreneur. He started a business as a partner in the year 2001 and later parted and worked in with few friends and was not happy and in the year 2009 started his engineering services with the funds which were segregated during the period as an employee, worked hard, and with the increase in clients situation became better and good, now in the present situation as well they can do good.

Entrepreneur 6:
Lay the first stone of business at the age of 14 in a foreign country his first business was a food truck which went well and was simultaneously working on building marketing brands, at the age of 21 he was the owner of 2 start-ups, as he had to concentrate on his graduation he had to sell his business and complete his graduation and in one of his visit to India he identified the need of protein and worked a lot in identifying the requirement of the product that delivered required protein, this made him start his new business in the year 2016 in India with the initial investment which he had accumulated from his previous business and the major source was through equity finance and from his customers which created a wonderful marketing opportunity.

Entrepreneur 7:
Had developed a special interest in microprocessors and software development which were the emerging technologies at the point of time, from the childhood he dreamed to be an entrepreneur, and during his engineering days, he struggled hard to develop a control as a part of his study and wanted to develop skills in software and microprocessor. So to start a business family dint had funds to support so he started looking for jobs in Bangalore, with the help of a friend he was able to get into a newly started business and gain the required knowledge and in the year 1995 with his friend he started his business to build an innovative company with world-class R&D set up and manufacturing infrastructurefor electronics systems design and manufacturing to serve aerospace and defence industry. So they started to earn out of repairing machines to earn money and later they got one major repair work of machinery which earned them their first cheque of Rs10,000, later they started getting more and more opportunities for their business, especially among MSMEs and many customers got attracted towards their service and the business has never looked back.

Entrepreneur 8:
Was very much interested in research and completed her Ph.D. Started the business initially in collaboration with another company, but things dint work well so she moved out of the venture and started her own business when her daughter was at the age of 9 years and with her own funds, but the initial stages were hard as she had to depend on her business partners for every aspect where she failed and the company had to close and later again she emerged as an entrepreneur with the support of the clients who made the situation better and best. Producing products was not sufficient but creating awareness and educating people is where one needs to work.

Entrepreneur 9:
A graduate who wanted to be an entrepreneur in the field of automobiles, with an initial investment provided by their parents of Rs 50,000 started a business, from the year 1992 worked very hard and not seen any losses till date, in the later stages of development financial assistance were taken from few financial institutions, but has he states getting finance from banks demand for lots of documentation and formalities to be fulfilled which takes majority of the time. And now the company has grown in terms of investment, profitability, and customers.

Implications:
From Table 1, it is understood that all 9 entrepreneurs are from different nature of business which are located in Bangalore and successfully operating, each company had to undergo a rigid process in getting the right source of finance. Here the decision to use and the proportion of finance used depicts that size of the firm is a very important element in deciding the proportion of debt and bank financing, here company had faced financial challenges in various stages of development, but proper planning and strategy helped in handling it in a better way, which can be understood from the brief narration of the interview provided.

From the first case the zeal of an employee who had always dreamed to be an entrepreneur, it was understood that proper planning is very important in every aspect of the business such as starting a business, decisions, financial, customer, sources, timely and right investment, which made the business to grow and develop without much problem, in the second case it was analyzed how the motivation and support made her an entrepreneur, but lack of employee commitment towards the organization made her face huge losses, later in the world of innovation meeting competition also bought the entrepreneur lots of challenge. In the third case, a person who had good knowledge and lots of experience in research faced confronts in terms of knowledge of various aspects of the business. In the fourth case, the entrepreneur has been facing lots of challenges in terms of changing policies, and being flexible is making them survive. In the fifth case, the entrepreneur's journey was being good in the various aspects as they were continuously providing services. In the sixth case the journey of a young entrepreneur into the shift of different businesses could be experienced and the various sources they being depending on were also emphasized. In the seventh case, the entrepreneur was involved in software development and the growth in terms of innovation could be experienced. In the eighth case, a researcher who turned out to be an entrepreneur could be addressed and in the ninth case, the journey of an entrepreneur in a completely different field of study could be understood(Agénor & Canuto, 2017).

Sources of funds	Authors who associated these sources with Innovation
Internal Sources	
Owners Capital	(Ayalew et al., 2020),(Adegboye & Iweriebor, 2018),(Schuelke-Leech & Leech, 2018),(Law et al., 2018),(Fernandez, 2017),(Hummel et al., 2013),(Cincera& Santos, n.d.),(Cincera& Santos, n.d.).
Retained Earnings	(Ayalew et al., 2020),(Nylund et al., 2020),(Ullah, 2019),(García-Quevedo et al., 2018),(Fernandez, 2017),(Hottenrott& Peters, n.d.),(Caiani et al., 2015),(Brancati, 2013),(Hummel et al., 2013),(Cincera& Santos, n.d.),.
External Funds	
Bank Funds	(Ayalew et al., 2020),(Aiello et al., 2020), (Ullah, 2019), (Callegari, 2018), (Adegboye & Iweriebor, 2018), (Schuelke-Leech & Leech, 2018),(Fernandez, 2017), (Wu et al., 2016), (Brancati, 2015), (Hottenrott & Peters, n.d.),(Gorodnichenko & Schnitzer, 2013), (Nylund et al., 2020), (Agénor & Canuto, 2017),(Int et al., 2017),(Cincera & Santos, n.d.), (Fombang & Adjasi, 2018), (Spender et al., 2017), (Caiani et al., 2015),(Fagiolo et al., 2020).

Grants or subsidies	(Stefani et al., 2020), (Adegboye & Iweriebor, 2018),(Hummel et al., 2013),(Grilli et al., 2018),(Huang & Hou, 2019).
Family or Friends	(Stefani et al., 2020), (Zhu et al., 2020),(Ullah, 2019),(Adegboye & Iweriebor, 2018), (Law et al., 2018),(Hummel et al., 2013).
Equity finance	(Ayalew & Xianzhi, 2020), (Stefani et al., 2020), (Ullah, 2019), (Adegboye & Iweriebor, 2018), (Hottenrott & Peters, n.d.), (García-Quevedo et al., 2018), (Nylund et al., 2020), (Hummel et al., 2013), (Cincera & Santos, n.d.), (Caiani et al., 2015).

Source: (U. J. Itam & Warrier, 2025)

Limitationsand Further Research:

The study was based on the interview which was conducted through virtual mode, so time was a constraint, more entrepreneurs could be considered for further study and a detailed analysis could be made. The study can be carried out by considering large scaled business enterprises into consideration, the scale of their operations and terms of size. Further, there could be a study carried out based on the secondary sources through which influencing factors could be identified and a model could be developed. The study was based on the entrepreneurs located in Bangalore, a study could be extended to other parts of the state and the country as well.

Conclusion:-

From the details provided by the entrepreneurs, it could be noticed that many entrepreneurs initially start with their savings and support from their familyand friends. The next source that they have depended on is the banking and financial institutions, which support the business with a minimum rate of interest and as two of the entrepreneurs stated obtaining funds requires lots of formalities to be completed and takes much time. Entrepreneurs look for major sources of finance with a low rate of interest, it was also emphasized that initially few entrepreneurs have failed due to a lack of knowledge in identifying the right sources at the right time for meeting their requirements. In terms of finance knowing when, how, and from where to raise the finance is a major decision, and the financial requirements also differ with the stages of business. Here important aspect that everyone was talking about is the support that they have received from their customer over a period of time which has also supported them in terms of timely finance.

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