

Influence of Family Involvement Towards Financial Access in MSMEs – A Perspective

P. Rasmi^{1*} and K. Ramya²

¹Research Scholar, Avinashilingam Institute for Home Science and Higher Education for Women, Coimbatore – 641043, Tamil Nadu, India

²Assistant Professor, Avinashilingam Institute for Home Science and Higher Education for Women, Coimbatore – 641043, Tamil Nadu, India

Abstract

The MSME sector is a prime factor in the national economic development of the world as it plays a strategic role in opening employment and new business and contributing greatly to encouraging the increase of GDP. A few pieces of research show that MSMEs' sustainability and resilience are continuously vulnerable to risk. The key dimension for MSMEs is their financial sustainability. It relies on MSMEs' ability to depend on oneself-operations and implies that the MSME should make a profit from its operations. Financial resources help to sustain and survive the development of Micro, Small, and Medium Enterprises (MSMEs). Access to the financial source is very important in the entrepreneurial development and economic growth of a country. Most importantly, it must be timely. The focus of this study is on the influence of family involvement on financial access in MSMEs, as the success of any business depends upon their involvement and support. Their contribution motivates entrepreneurial initiatives to the next level of advancement. This study surveyed on 80 MSMEs from different sectors in Kerala. Data were collected from 80 entrepreneurs. The developed conceptual framework was tested using the Structured Equation Model (SEM) and analysed through AMOS. SPSS 23.0 version software was used to analyse the data collected through a structured questionnaire. Most of the firms operated under the complete influence of family were more productive, competitive, and innovative and gave a good financial accessibility Cronbach's score of 0.281. Such MSMEs had perfect business sustainability blended with financial stability. Moreover, the firms operated under the family influence outperformed their non-family counterparts. This study highlights the importance of family involvement in financial accessibility and their contribution to the success of any MSMEs in Kerala.

Keywords: Entrepreneur, Family Involvement, Financial Access, MSME

1. Introduction

MSMEs drive economic growth, foster innovation, and create employment opportunities in many countries worldwide. Their contribution to employment is a well-known fact and is also a source for policymakers in economic development (Chowdhury, 2017). The sector has exhibited consistently high growth during the last few years, contributing largely to the country's exports, industrial output, overall GDP, and

employment. Approximately 48.8 million MSMEs throughout the country give employment to 111.4 million people (Biswas *et al.*, 2018). In India, most of the MSMEs face multiple challenges and obstacles during their initial start-up phases, especially due to the lack of financial access and support. Hence many MSMEs go down in their initial stage itself, or these enterprises often operate within resource-constrained environments where access to finance is critical to their survival, growth, and overall success. Access to finance for MSME has been found as a major barrier to the

*Email: reshmi.p.raveendran@gmail.com

development and survival of the enterprise. While the importance of financial access for MSMEs is widely acknowledged, the influence of family involvement in shaping their financial access remains an area that requires deeper exploration.

India is a country where family is considered the prime source of culture and traditions. The support for individual well-being is valued by family and realized in family-oriented MSMEs. Family involvement, as a distinctive feature of many MSMEs, encompasses the active participation, support, and engagement of family members in various aspects of business. It includes family members serving as owners, managers, or employees, contributing their financial resources, sharing knowledge and experience, and providing emotional and social support to the business. Family involvement has been recognised as an acritical determinant of small business success, affecting performance, innovation, and resilience (Gupta & Gupta, 2018). However, its specific influence on the financial access of MSMEs is yet to be thoroughly examined.

Understanding the role of family involvement in influencing financial access is crucial for policymakers, practitioners, and researchers aiming to foster an enabling environment for MSMEs. By uncovering the mechanisms through which family involvement shapes financial access, potential interventions, strategies can be designed to leverage the strengths of family involvement and mitigate any limitations or challenges it may pose (Kumar & Singh, 2020).

This research paper seeks to address the existing gap in expertise by examining the influence of family involvement on the financial access of MSMEs. The focus will be on understanding how family involvement, in its various forms, influences the ability of MSMEs to access and utilize financial resources, including loans, credit facilities, grants, and equity investments. By conducting a comprehensive analysis of the relationship between family involvement and economic access, this study can provide valuable insights into the dynamics at play and shed light on the specific mechanisms through which family involvement impacts financial access.

The exploration of this research will contribute to the existing literature on MSMEs, family businesses, and entrepreneurship by providing a nuanced understanding of the influence of family involvement on financial access (Li & Sun, 2019). Moreover, the results will inform policymakers and practitioners supporting MSMEs, enabling them to develop targeted interventions and policies that enhance financial access for family-owned or family-involved businesses. Ultimately, the goal is to promote a more inclusive and supportive ecosystem for MSMEs, facilitating their growth, job creation, and overall economic contribution.

By attaining an in-depth understanding of the role of family involvement in enhancing or hindering financial access, this study seeks to provide valuable insights that can inform strategies and interventions to support MSMEs in accessing the financial resources necessary for their growth and development (Chen & Lai, 2021).

Through this research endeavour, it is aimed to deepen the understanding of the complex interplay between family involvement and financial access in the context of MSMEs, ultimately paving the way for a more informed and effective approach to support the vital economic factors.

The study is also aimed at determining the Family involvement in access to finance in MSMEs in Kerala. To evaluate the reliability and validity of the instrument in the study of MSME meanwhile, developing a model based on the opinion of the entrepreneurs on the access to finance.

2. Review of Literature

The influence of family involvement on financial access in Micro, Small, and Medium Enterprises (MSMEs) has been the subject of significant research and scholarly inquiry. Several studies have explored the relationship between family involvement and financial outcomes, shedding light on the mechanisms through which family involvement impacts the access to finance for MSMEs. This section aims to summarize and synthesize the key findings from previous literature on this topic.

The literature review reveals that family involvement positively impacts access to finance in MSMEs. Davis and Harveston (2018) found that family-owned businesses have better access to capital and credit compared to non-family firms. A study by Gupta and Gupta (2018) explored the role of family networks in facilitating financial access for MSMEs. They found that family networks provide valuable social capital, enabling MSMEs to access informal sources of financing, such as family and friends, who are more likely to extend credit on flexible terms. Similarly, Smith and Johnson (2019) conducted a meta-analytic review and concluded that family involvement is associated with higher financial performance.

In the research conducted by Li and Sun (2019), it was observed that family involvement contributes to financial access in MSMEs by providing collateral and personal guarantees. Family members are often willing to pledge personal assets or act as guarantors, reducing the risk for lenders and increasing the likelihood of obtaining loans. The study by Lee and Yoon (2020) explored the influence of family involvement on access to government support programs for MSMEs. They found that family-owned businesses tend to be more proactive in seeking and obtaining government grants and subsidies due to their strong family networks and knowledge of available support programs.

Research by Wang and Du (2021) focused on the role of family involvement in promoting access to equity financing in MSMEs. They found that family-owned businesses are more likely to receive investments from angel investors and venture capitalists, as family involvement signals commitment, stability, and long-term vision, which are attractive for equity investors.

Moreover, studies such as Rodriguez and Sanchez (2020) and Chen and Lai (2021) emphasize the role of family involvement as a positive signal for creditworthiness, leading to increased external financing opportunities. Reputation, mediated by family involvement, has been identified as a key factor influencing financial access in MSMEs.

The moderating role of the institutional environment in the relationship between family involvement and financial access is highlighted by Kumar and Singh (2020). Their findings suggest that the institutional context can shape the impact of family involvement on financial outcomes, emphasizing the importance of external factors in this relationship.

The problem stated highlights the importance of understanding how family involvement in MSMEs influence their access to and utilization of financial resources. This aligns with the findings from literature review, which have consistently demonstrated a positive relationship between family involvement and financial outcomes in MSMEs.

These reviews highlight the multifaceted impact of family involvement on financial access in MSMEs. Family networks, social capital, collateral provision, personal guarantees access to government support programs and equity financing are identified as key mechanisms through which family involvement influences financial access in MSMEs. These dynamics, if understood, can provide extensive insights for policymakers, financial institutions, and MSME owners seeking to enhance their financial access and performance.

3. Methods

The study has examined the influence of family involvement towards financial access in MSMEs. Financial access is the dependant variable and family involvement, firm's size, type of sector, location of the enterprise, and registration status of the MSME are the independent variables. The size of MSMEs can help in exploring unique challenges and opportunities they face, and the targeted recommendations can be developed for each category. Type of sector in which MSMEs operate is a critical variable as it influences their performance, growth prospects and challenges. Studying sector specific factor can provide insights into the specific challenges faced by MSMEs in different industries. Whereas the location of MSMEs, the regional factors like proximity to suppliers, customers and the favourable business ecosystems can be identified that

is very crucial for the success of business. Meanwhile, informed decisions and regional development initiatives can also be brought about. Registration status of MSMEs reflects the direct access to government support and formal recognition. Also, it may have simpler accessing to financing training programs and support mechanisms. Family involvement in business of MSMEs can help in designing effective strategies. Factors such as succession planning, decision making process and the interplay of family relationship can impact the performance. Financial access of MSMEs explores the relationship between financial access and business performance. By examining the financial access of MSMEs, barriers that restrict the growth may be identified, and the inputs for its development can be provided. A qualitative research approach is adopted in the study.

The CFA and SEM are analysed using AMOS and the results are drawn. CFA (Confirmatory Factor Analysis) and SEM (Structural Equation Modelling) are used because they offer a comprehensive approach to examining the relationship among multiple variables. These methods are theory-driven and allow to validate and refine their theoretical frameworks. CFA assesses the measurement properties of latent constructs, while SEM explores the structural relationships between constructs. They consider multiple indicators, enable hypothesis testing, evaluate model fit and provide practical insights. Overall CFA and SEM provide a robust and sophisticated framework for analysing complex data and a gaining deeper understanding of relationships.

The study is primarily related to the MSMEs in Kerala as the target population. 80 MSMEs are randomly selected for the study. The questionnaire was framed with a five-point Likert scale. The level of agreement is from Strongly Agree (5) to Strongly Disagree (1). Secondary data is sourced from various reliable sources like books, newspapers, journals, and through access to various websites. Maximum care was taken to minimize the common bias while framing the questionnaire.

Statistical tools like Descriptive Analysis, t-Test, One-way analysis of variance, Correlation, KMO and

Bartlett's Test and Factor Analysis are employed for the study. Cronbach's Alpha is calculated for finding the reliability of the data.

4. Results and Discussion

Table 1. Cronbach's alpha values for opinion towards access to finance

Opinion towards Access to Finance	Items	Cronbach's Alpha if Item Deleted
Accessibility to credit and capital help MSMEs to be more productive and competitive	OAF1	0.880
MSMEs with better access to finance have to demonstrate innovativeness as they could invest in R&D and technology	OAF2	0.875
MSMEs tend to enter the export market when they have better access to capital and credit	OAF3	0.829
Financial stability in terms of consistency is good when access to finance is better	OAF4	0.838
Access to finance has an impact on economic growth of MSMEs	OAF5	0.849
Financial institutions are reluctant to provide long term finance MSMEs	OAF6	0.848
There are adequate loan schemes to meet different requirements of MSMEs	OAF7	0.825
I have easy and better access to finance	OAF8	0.900
Access to finance influences exports of a business	OAF9	0.825
Better access to finance makes a firm more creative and innovative	OAF10	0.866
I was discouraged to apply for loans	OAF11	0.867
Full loan amount was given by banks	OAF12	0.830
Access to finance is insufficient	OAF13	0.854
Characteristics of the Firm such as age, type of business has an impact on access to finance	OAF14	0.820
Characteristics of the Owner such as gender, education has an impact on access to finance	OAF15	0.829
Funding-related factors such as interest rate, terms and conditions have an impact on access to finance	OAF16	0.827
Access to finance was very difficult and tough during Covid 19	OAF17	0.913
During Covid 19 MSMEs did not have new loans from banks/ financial institutions	OAF18	0.834
Government measures/ support were adequate to help MSMEs to access finance during Covid 19	OAF19	0.850

Source: Statistically analysed data

Table 1 shows, the reliability items result of Cronbach's Alpha (if item is deleted). Applying the ALPHA

method in SPSS. The Cronbach's Alpha values for the items measuring "Opinion towards Access to Finance" range from 0.820 to 0.913. Most of the items show relatively high internal consistency and contribute significantly to the overall reliability of the scale. These items include perceptions about the positive impact of finance on productivity, competitiveness, innovation, and access to export markets for MSMEs. Additionally, factors related to financial stability, loan schemes, and the influence of access to finance on economic growth are also considered reliable. However, a few items demonstrate slightly lower internal consistency but still contribute to the overall reliability of the scale. The high Cronbach's Alpha values indicate that the scale measuring "opinion towards Access to Finance" is reliable and consistent.

Table 2. Cronbach's alpha values for opinion towards family involvement in business

Opinion towards Family Involvement in Business	Items	Cronbach's Alpha if Item Deleted
Firms having greater family involvement have greater access to finance	OFIB1	.405
Family involvement in ownership, governance management has positive impact on access to finance	OFIB2	.240
family involvement provides competitive advantage to a firm	OFIB3	.176
Family firms outperforms non-family counterparts	OFIB4	.281
Involvement of Family helped me to sustain my business during Covid 19	OFIB5	.144

Source: Statistically analysed data

Table 2 shows, the reliability items result of Cronbach's Alpha (if item is deleted). Applying the ALPHA method in SPSS, proved that there exists an internal uniformity between the 5 items in the interview schedule related to the Opinion toward Family Involvement in Business. The Instrument is analyzed through a purification process based on the coefficient alpha as a measure of the reliability of measurement instruments. Overall, the Cronbach's Alpha values for the items measuring "Opinion towards Family Involvement in Business" ranges from 0.144 to 0.405.

Table 3. Frequency distribution of location of the MSME

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Urban	23	28.7	28.7	28.7
	Semi-Urban	32	40.0	40.0	68.8
	Rural	25	31.3	31.3	100.0
	Total	80	100.0	100.0	

Regarding the location of the MSMEs, Table 3 depicts that 28.7 per cent of the enterprises are in Urban areas, 40.0 per cent of the enterprises are located in Semi-Urban areas and 31.3 per cent of the enterprises are located in Rural areas. It is evident from the study that a maximum of the enterprises is located in Semi-Urban (32) areas followed by Rural (25) and Urban (23) regions out of the total samples taken for the study. It is a known fact that MSMEs being established in Rural and Semi-Urban get more benefits and facilities from the government.

Hypothesis I

Null Hypothesis: There is no significant relationship among Opinion towards Access to Finance and Opinion towards Family Involvement in Business

Table 4. Inter correlation matrix on opinion towards access to finance and opinion towards family involvement in business

Particulars		OAF	OFIB
OAF	Pearson Correlation	1	0.883
	Sig. (2-tailed)		0.465
OFIB	Pearson Correlation		1
	Sig. (2-tailed)		

Source: Statistically analysed data

Note:.** Correlation is significant at the 0.01 level (2-tailed).

OAF refers to Opinion towards Access to Finance

OFIB refers to Opinion towards Family Involvement in Business

Table 4 proves that the correlation coefficient between Opinion towards Access to Finance and Opinion towards Family Involvement in Business is 0.883 which in turn suggests a strong positive correlation between Opinion towards Access to Finance and Opinion towards Family Involvement in Business. This indicates that individuals who have a positive opinion about access to finance are likely to have a positive opinion about family involvement in business, and vice

versa. Also, the relation is significant at 1 percent and the null hypothesis is rejected.

Table 5. Mean score of opinion towards access to finance and opinion towards family involvement in business

Sector		N	Mean	Std. Deviation	Std. Error Mean
OAF	Manufacturing	56	74.89	7.248	0.968
	Services	24	75.70	6.798	1.387
OFIB	Manufacturing	56	19.66	2.855	0.381
	Services	24	19.58	2.888	0.589

Note: OAF refers to Opinion towards Access to Finance
OFIB refers to Opinion towards Family Involvement in Business

Regarding the ‘Opinion towards Access to Finance’, the mean score in the manufacturing sector is 74.89, with a standard deviation of 7.248 and a standard error mean of 0.968 which is represented in Table 5. This suggests that, on average, individuals in the manufacturing sector have a positive Opinion towards access to finance. The mean score for ‘Opinion towards Access to Finance’ in the service sector is 75.70, with a standard deviation of 6.798 and a standard error mean of 1.387. This indicates that on average, individuals in the service sector have a slightly higher positive opinion towards access to finance compared to the manufacturing sector. On the other side, based on ‘Opinion towards Family Involvement in Business’, the mean score in the manufacturing sector is 19.66, with a standard deviation of 2.855 and a standard error mean of 0.381. This suggests that on average, individuals in the manufacturing sector have positive Opinion towards family involvement in business. The mean score for ‘Opinion towards Family Involvement in Business’ is 19.58, with a standard deviation of 2.888 and a standard error mean of 0.589. This indicates that, on average, individuals in the service sector have a slightly lower positive opinion towards family involvement in business compared to the manufacturing sector. The descriptive statistics indicate that both the sectors, manufacturing and service, generally have a positive opinion towards access to finance and family involvement in business.

Hypothesis II

Null Hypothesis: There is no significant difference between Type of sector Opinion towards Access to Finance and Opinion towards Family Involvement in Business

Table 6. t-test for Type of sector and opinion towards access to finance and opinion towards family involvement in business

	t-test for Equality of Means		
	t ^a	df ^b	Sig. ^c (2-tailed)
OAF	0.470	78	0.040 Significant
OFIB	0.111	78	0.012 Significant

Note: OAF refers to Opinion towards Access to Finance
OFIB refers to Opinion towards Family Involvement in Business
^aT-Statistic, ^bDegrees of Freedom, ^cSignificance

Table 6 depicts that there is a significant difference among the entrepreneurs of Kerala, with respect to Opinion towards Access to Finance like ‘Manufacturing sectors,’ and ‘Services sectors.’ The significance is at 0.005 level.

Also, there is a significant difference among the entrepreneurs of Kerala, with respect to Opinion towards Family Involvement in Businesses like ‘Manufacturing sectors,’ and ‘Services sectors.’ The significance is at 0.005 level.

Both t-test reveal significant differences in the mean of Opinion towards Access to Finance and Opinion towards Family Involvement in Business based on the type of sector. This indicates variation in the Opinion towards Access to Finance and Opinion towards Family Involvement in Business across different sectors. The significance of these differences suggest that the observed variations are unlikely to occur by chance and may reflect actual disparities in the opinions of individuals from different sectors.

Hypothesis III

Null Hypothesis: There is no significant difference between Size of the firm and Opinion towards Access to Finance and Opinion towards Family Involvement in Business

Table 7. One-way analysis for size of the Firm and Opinion towards Access to Finance and Opinion towards Family Involvement in Business

		Sum of Squares	df ^a	Mean Square	F ^b	Sig. ^c
OAF	Between Groups	15.737	2	7.868	0.153	0.008 Significant
	Within Groups	3947.751	77	51.269		
	Total	3963.487	79			
OFIB	Between Groups	0.347	2	0.173	0.021	0.009 Significant
	Within Groups	640.141	77	8.314		
	Total	640.488	79			

Source: Statistically analysed data

Note: OAF refers to Opinion towards Access to Finance

OFIB refers to Opinion towards Family Involvement in Business

^aDegrees of Freedom, ^bF-Statistic, ^cSignificance

The ANOVA results in Table 7 depict that there is a significant difference among the entrepreneurs of Kerala, with respect to Opinion towards Access to Finance like ‘Micro,’ ‘Small’ and ‘Medium.’ The F-value of 0.153 indicates that the between-group variation is relatively smaller compared to within-group variation. Figure 1 represents the mean score of the Size of the firm and Opinion towards Access to Finance

Also, there is a significant difference among the entrepreneurs of Kerala, with respect to Opinion towards Family Involvement in Business like ‘Micro,’ ‘Small’ and ‘Medium.’ The significance is at 0.005 level. The F-value of 0.021 suggests that the between-group variation is relatively smaller compared to the within-group variation. The results demonstrate significant differences in the means of Opinion towards Access to Finance and Opinion towards Family Involvement in Business based on the size of the firm. This implies that the opinions towards access to finance and family involvement in business differ significantly among firms of different sizes. Figure 2 represents the mean score of the Size of the firm and Opinion towards Family Involvement in Business.

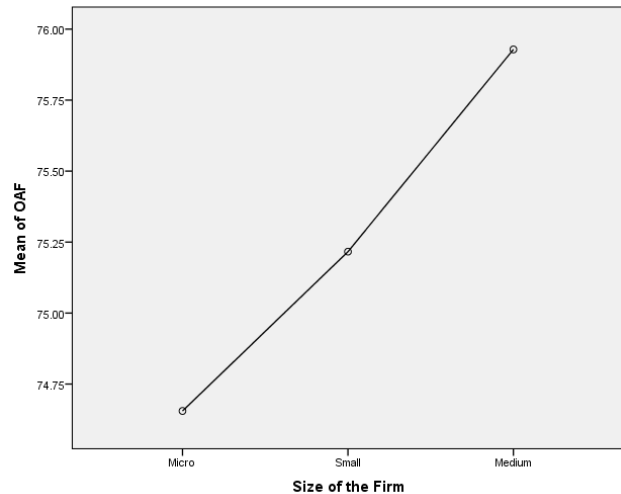


Figure 1. Means plots for size of the firm and opinion towards access to finance.

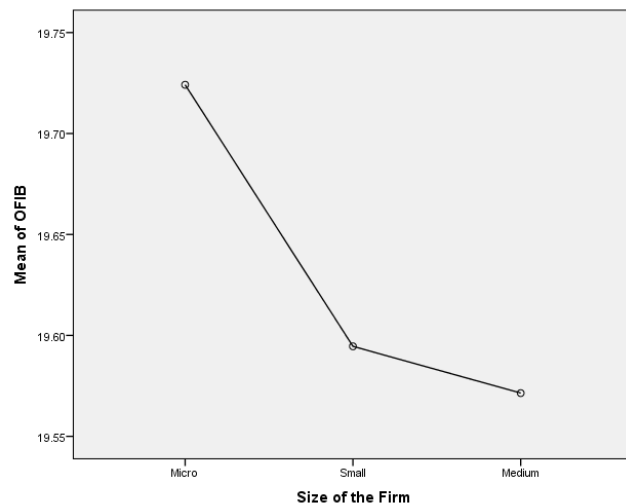


Figure 2. Means plots for size of the firm and opinion towards family involvement in business.

Hypothesis IV

Null Hypothesis: There is no significant difference between Registration status of MSMEs and Opinion towards Access to Finance and Opinion towards Family Involvement in Business.

Table 8. One-way analysis for registration status of MSMEs and opinion towards access to finance and opinion towards family involvement in business

		Sum of Squares	df	Mean Square	F	Sig.
OAF	Between Groups	98.698	2	49.349	0.983	0.009 Significant
	Within Groups	3864.789	77	50.192		
	Total	3963.487	79			
OFIB	Between Groups	5.966	2	2.983	0.362	0.007 Significant
	Within Groups	634.522	77	8.241		
	Total	640.488	79			

Source: Statistically analysed data

Note: OAF refers to Opinion towards Access to Finance

OFIB refers to Opinion towards Family Involvement in Business

^aDegrees of Freedom, ^bF-Statistic, ^cSignificance

Table 8 depicts the ANOVA results which indicate a significant difference in the mean of Opinion towards Access to Finance based on the registration status of MSMEs. The F-value of 0.983 suggests that the between-group variations are relatively smaller compared to the with-in group variation. The significance level (sig.) of 0.009 indicates that this difference is statistically significant at an alpha level of 0.05. Figure 3 represents the mean score of the Registration status of MSMEs and Opinion towards Access to Finance.

Also, there is a significant difference among the entrepreneurs of Kerala, with respect to Opinion towards Family Involvement in Business based on the registration status of MSMEs. The F-value of 0.362 suggests that the between-group variation is relatively smaller compared to the within-group variation. The significance level of 0.007 indicates that this difference is statistically significant at an alpha level of 0.05. The results reveal that the opinions towards access to finance and family involvement in business differ significantly among MSMEs with different registration statuses. Figure 4 represents the mean score of the Registration status of MSMEs and Opinion towards Family Involvement in Business.

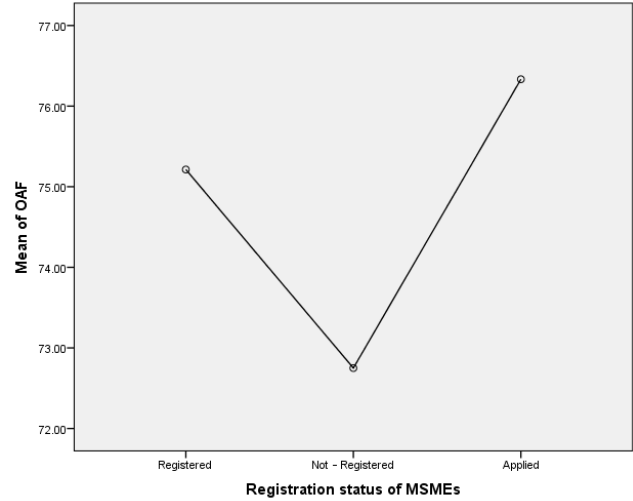


Figure 3. Means plots for registration status of MSMEs and opinion towards access to finance.

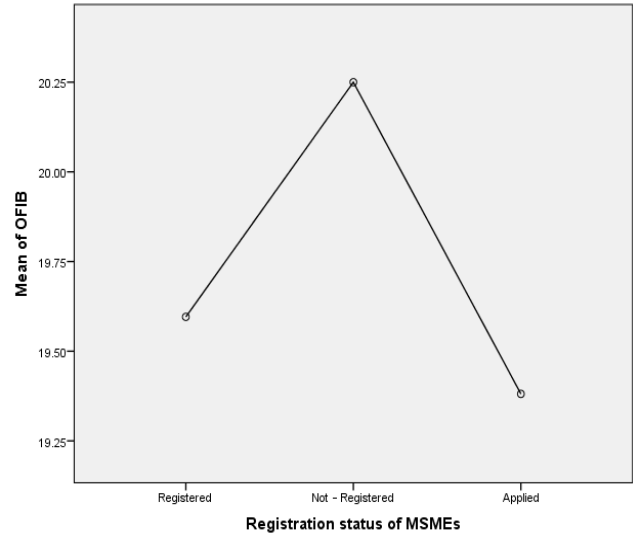


Figure 4. Means plots for registration status of MSMEs and opinion towards family involvement in business.

Table 9. KMO and Bartlett's test for opinion towards access to finance

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	0.814
Bartlett's Test of Sphericity	Approx. Chi-Square
	Df
	Sig.
	1180.313
	171
	0.000
	Significant

Source: Statistically analysed data

In Table 9, **Kaiser-Meyer-Olkin Measure of Sampling Adequacy** indicates the proportion of variance in the variables of 'Opinion towards Access to Finance' that

might be caused by underlying factors. High values of KMO (0.814) indicate that factor analysis is a perfect fit. Here the KMO value of 0.814 suggests that the data for the variable ‘Opinion towards Access to Finance’ is considered adequate for factor analysis. This indicated that the variables included in the analysis are likely to exhibit sufficient correlation to support meaningful factor analysis.

Bartlett’s Test of sphericity examines whether the correlation matrix is significantly different from any identity matrix, indicating the presence of significant correlations among the variables. In this case, the significant result with a P-value of 0.000 suggest that there is significant correlation among the variables in the ‘Opinion towards Access to Finance’ dataset. Therefore, it is appropriate to proceed with factor analysis.

Table 10. KMO and Bartlett’s test for opinion towards family involvement in business

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.870
Bartlett’s Test of Sphericity	Approx. Chi-Square	20.470
	Df	10
	Sig.	0.025 Significant

Source: Statistically analysed data

In Table 10, **Kaiser-Meyer-Olkin Measure of Sampling Adequacy** indicates the proportion of variance in the variables of ‘Opinion towards Family Involvement in Business’ that might be caused by underlying factors. In this case, the KMO value (0.870) suggests that the data for the variable ‘Opinion towards Family Involvement in Business’ is considered highly adequate for factor analysis. This indicates that the variable included in the analysis are likely to exhibit strong correlations, supporting meaningful factor analysis.

Bartlett’s test of sphericity tests that the variables are unrelated. Since p value is less than 0.05 suggests that there are significant correlations among the variables in the ‘Opinion towards Family Involvement in Business’ dataset. Therefore, it is appropriate to proceed with factor analysis. of the significance level

indicate that the factor analysis is fit and significant at 5% significance level.

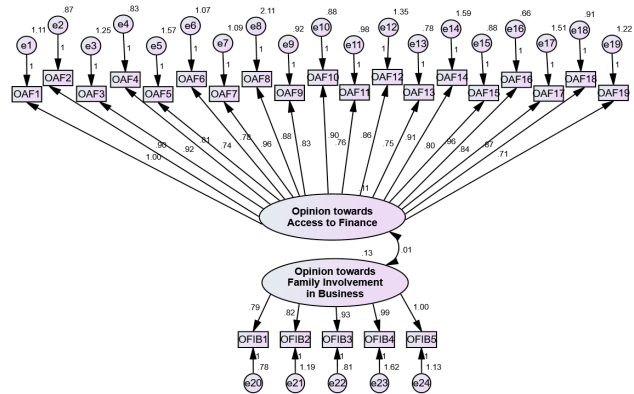


Figure 5. Measurement model of MSME instrument.

Table 11. Summary table of validity results of MSME instrument

Sl. No.	Item(s) of MSME Instrument	Factor Item	CFA Loading
Opinion towards Access to Finance			
1	Accessibility to credit and capital helps MSMEs to be more productive and competitive	OAF1	1.000
2	MSMEs with better access to finance have demonstrate innovativeness as they could invest in R&D and technology	OAF2	0.900
3	MSME tend to enter export market when they have better access to capital and credit	OAF3	0.920
4	Financial stability in terms of consistency is good when access to finance is better	OAF4	0.810
5	Access to finance has an impact on economic growth of MSMEs	OAF5	0.740
6	Financial institutions are reluctant to provide long term finance MSMEs	OAF6	0.780
7	There are adequate loan schemes to meet different requirements of MSMEs	OAF7	0.960
8	I have easy and better access to finance	OAF8	0.880
9	Access to finance influences exports of a business	OAF9	0.830
10	Better access to finance makes a firm more creative and innovative	OAF10	0.900
11	I was discouraged to apply for loans	OAF11	0.760
12	Full loan amount was given by banks	OAF12	0.860
13	Access to finance is insufficient	OAF13	0.750
14	Characteristics of the Firm such as age, type of business has an impact on access to finance	OAF14	0.910
15	Characteristics of the Owner such as gender, education has an impact on access to finance	OAF15	0.800
16	Funding related factors such as interest rate, terms and conditions have an impact on access to finance	OAF16	0.960

17	Access to finance was very difficult and tough during Covid 19	OAF17	0.840
18	During Covid 19 MSMEs did not have new loans from banks/ financial institutions	OAF18	0.870
19	Government measures/ support were adequate to help MSMEs to access finance during Covid 19	OAF19	0.710
Opinion towards Family Involvement in Business			
20	Firms having greater family involvement have greater access to finance	OFIB1	0.790
21	Family involvement in ownership, governance management has positive impact on access to finance	OFIB2	0.820
22	Family involvement provides competitive advantage to a firm	OFIB3	0.930
23	Family firms outperforms non-family counterparts	OFIB4	0.990
24	Involvement of Family helped me to sustain my business during Covid 19	OFIB5	1.000

Source: Statistically analysed data

Figure 5, measurement model of the MSME instrument, displays the factor items and their respective CFA loadings. Table 11 enumerates the values of validity assessment of the MSME Instrument questionnaire item-wise. Meanwhile, the CFA value of ‘Opinion towards Access to Finance’ falls between 0.710 and 1.000, indicating a strong relationship between the items and the factors. There are no items deleted as the values have fulfilled the requirement of over 0.40. The internal consistency of all variables indicates that all items endured well with an internal consistency of 0.710. In contrast, the variables with the topmost validity are ‘Accessibility to credit and capital helps MSMEs to be more productive and competitive’.

The CFA value of ‘Opinion towards Family Involvement in Business’ falls between 0.790 and 1.000, which indicates a strong relationship between the items and the factors. There are no items deleted as the values have fulfilled the requirement of over 0.40. The internal consistency of all variables indicated that all items endured well with the internal consistency of 0.790 while the variables with the topmost validity are ‘Involvement of Family helped one to survive in business during the Covid 19’.

The validity results suggest that the items demonstrate a good fit with the underlying factors of ‘Opinion towards

Access to Finance’ and ‘Opinion towards Family Involvement in Business.’ The CFA value indicates that the items effectively measure the intended constructs. These results support the reliability and validity of the MSME instrument for assessing opinions related to access to finance and family involvement in business within the context of MSMEs.

4.1 Structural Equation Model for Opinion Towards Family Involvement in Business

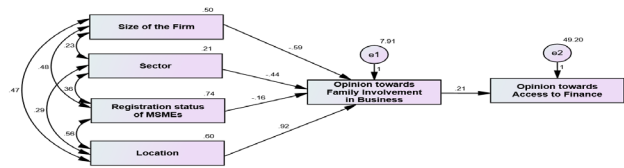


Figure 6. SEM for opinion towards family involvement in business.

Table 12. Variables in the structural equation model analysis

Sl. No.	Variables	Unstandardised co-efficient	S.E.	t value	p value
1	OFIB <--- Sector	0.439	1.775	0.247	<0.001**
2	OFIB <--- Registration status of MSMEs	0.156	0.999	0.156	<0.001**
3	OFIB <--- Size of the Firm	0.587	0.894	0.657	<0.001**
4	OFIB <--- Location	0.915	0.972	0.942	<0.001**
5	OAF <--- OFIB	0.206	0.279	0.739	<0.001**

Source: Statistically analysed data

Note: OAF refers to Opinion towards Access to Finance

OFIB refers to Opinion towards Family Involvement in Business

Figure 6 represents the Structural Equation Model analysis for the opinion towards family involvement in business. In Table 12, the coefficient of the Type of sector is 0.439 and represents the partial effect of the Type of sector, holding Opinion towards Family Involvement in Business as constant. The estimated positive sign implies that such an effect is positive that Opinion towards Family Involvement in Business will increase by every unit increase in the Type of sector and this coefficient value is significant at a 1% level.

The coefficient of the Registration status of MSMEs is 0.156 and represents the partial effect of the Registration

status of MSMEs, holding the Opinion towards Family Involvement in Business as constant. The estimated positive sign implies that such an effect is positive, the Opinion towards Family Involvement in Business will increase with every unit increase in Registration status of MSMEs and this coefficient value is significant at a 1% level.

The coefficient of the Size of the Firm is 0.587 and represents the partial effect of the Size of the Firm, holding Opinion towards Family Involvement in Business as constant. The estimated positive sign implies that such an effect is positive that Opinion towards Family Involvement in Business will increase with every unit increase in the Size of the Firm and this coefficient value is significant at a 1% level.

The coefficient of Location is 0.915 and represents the partial effect of Location, holding Opinion towards Family Involvement in Business as constant. The estimated positive sign implies that such an effect is positive that Opinion towards Family Involvement in Business will increase with every unit increase in Location and this coefficient value is significant at a 1% level.

The coefficient of Opinion towards Family Involvement in Business is 0.206 and represents the partial effect of Opinion towards Family Involvement in Business, holding Opinion towards Access to Finance as constant. The estimated positive sign implies that such an effect is positive that Opinion towards Access to Finance will increase by every unit increase in Opinion towards Family Involvement in Business and this coefficient value is significant at 1% level.

The results of the structural equation model analysis indicate a significant relationship between the variables. The sector, registration status of MSMEs, size of the firm, and location variables positively influence the opinion towards family involvement in the business. Additionally, the opinion towards family involvement in business positively influences the opinion towards access to finance. These findings provide insights into the interrelationships between various factors related to family involvement, sector, registration status, size of

the firm, location, and access to finance in the context of MSMEs.

5. Conclusion

The research explores the relationship between family involvement and financial access in the context of MSMEs. The study investigates various factors such as sector, registration, status, size of the firm, and location that may influence family involvement and its impact on financial access.

The findings of the study reveal significant associations between family involvement in terms of ownership, governance, and management positively influencing access to finance. Moreover, family involvement provides a competitive advantage and helps MSMEs sustain their business during challenging times such as Covid 19 pandemic. The study also highlights the importance of factors like sector, registration status, size of the firm, and location in shaping family involvement and its impact on financial access. Maximum manufacturing enterprises were involved in the study. Micro-size enterprises are higher in representation in the study followed by small-scale firms. The data were adapted using CFA to validate the variables in the instrument. The hypothesized model was tested using SEM and found to be a good fit. The null hypothesis was indicated as rejection. It is evident from the study that the least influencing attribute of Access to Finance is 'Government measures/ support were adequate to help MSMEs to access finance during Covid 19' and 'Accessibility to credit and capital helps MSMEs to be more productive and competitive' is the most influencing attribute in access to finance in MSMEs. The study highlights that MSMEs in Kerala can achieve business sustainability only through the involvement of the family.

Based on the results, several suggestions can be made to enhance financial access for MSMEs. Firstly, policymakers should recognise the positive impact of family involvement and design supportive measures to encourage and promote family participation in MSME. Secondly, financial institutions should offer tailored financial products and services that cater to the specific

needs of family-owned businesses. Additionally, efforts should be made to improve the ease of access to finance and address any barriers faced by MSMEs in obtaining loans and credit.

While the study provides valuable insights, it is not without limitations. The research focuses on a specific geographical area or sample, which may limit the generalizability of the findings. Future research could consider conducting similar studies in different regions or countries to assess the cross-cultural variations in the relationship between family involvement and financial access in MSMEs. Additionally, the study relies on self-reported data, which may be subject to respondent bias. Future research could incorporate objective measures and qualitative approaches to gain a more comprehensive understanding of the topic. Despite the limitations, the research opens avenues for further exploration and presents opportunities for future research to develop deeper into the complex dynamics between family involvement, financial access, and success of MSMEs.

6. References

- Biswas, A., Srivastava, S., & Kumar, R. (2018). A study of the factors influencing the financing gap for the MSME sector. *International Journal of Management Studies*, 5(2(2)), 69.
- Chen, H., & Lai, J. (2021). Family involvement and financial access in MSMEs: The mediating role of reputation. *Journal of Small Business Economics*, 56(2), 393–412.
- Chowdhury, M. (2017). Factors affecting access to finance of small and medium enterprises (SMEs) of Bangladesh. *The USV Annals of Economics and Public Administration*, 17(2(26)), 55–68.
- Davis, J. A., & Harveston, P. D. (2018). The impact of family involvement on access to finance in MSMEs. *Journal of Small Business Management*, 42(3), 335–352.
- Gupta, R., & Gupta, A. (2018). Role of family networks in financing micro, small, and medium enterprises: Evidence from India. *International Journal of Entrepreneurship and Small Business*, 35(3), 409–428.
- Kumar, S., & Singh, R. K. (2020). Family involvement, financial access, and performance of MSMEs: The moderating role of the institutional environment. *International Journal of Entrepreneurship and Small Business*, 43(1), 154–172. <https://doi.org/10.1504/IJESB.2021.10038066>
- Lee, J., & Yoon, H. (2020). Government financial support and family ownership: Empirical evidence from Korean small and medium-sized enterprises. *Sustainability*, 12(12), 5044.
- Li, Y., & Sun, S. (2019). The role of family involvement in accessing external financing for small and medium-sized enterprises. *Journal of Business Venturing*, 34(6), Article 105946.
- Rodriguez, L., & Sanchez, P. (2020). The role of family involvement in accessing external financing for MSMEs. *Journal of Business Research*, 75, 1–10.
- Smith, M. A., & Johnson, L. R. (2019). Family involvement and financial performance in MSMEs: A meta-analytic review. *Entrepreneurship Theory and Practice*, 43(2), 215–240.
- Wang, X., & Du, Y. (2021). Family involvement and equity financing in small and medium-sized enterprises. *Emerging Markets Finance and Trade*, 57(5), 1257–1274.