EMPIRICAL STUDY OF DEVELOPMENT BANKS & ENTREPRENEURSHIP PROMOTION

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Abstract
This study aimed at investigating the role and effect of “Development Banks & Entrepreneurship promotion” loan attained by Small Enterprises from development banks in fostering promotion and enterprise development in India. The study was carried out NCR. Literature on development banks, entrepreneurs and finance in Small enterprise was extensively reviewed. To measure the extent of promotion, three levels of promotion were categorized, namely introduction of completely new ways and products, modifications of ways and products and adoption of new ways and products. To achieve the desired results, a questionnaire, interviews guides and field observations were used for data collection. The statistical Package for Social Sciences (SPSS) and content analysis were used for data analysis.

Keywords: Entrepreneur, Development Banks, Promotion

INTRODUCTION
In India efforts to promote and develop entrepreneurship among the youth began with Industrial Campaign during the early 1960s. It has now taken the form of a nationwide movement. While Gujarat is credited as being the first state in the country to make planned and systematic efforts in entrepreneurship development, in the North India, is the pioneer in this field.

Entrepreneurs are considered to play a vital role in the global economy although a solid body of academic literature linking entrepreneurship (innovation) and economic growth did not emerge until the 1990s. The work of researchers such as Boettke et al 2009 and Wennekers and Thurik 1999, points out that economic growth cannot be understood if the true “agents of change” – the entrepreneur – is dismissed from the process. The development of business entrepreneurship has become a global phenomenon since it is perceived as the sure-way solution out of poverty. Entrepreneurialism is an attractive theme of study because it serves as a link between human and economic development since people with a greater variety of life choices allowing for an improvement of their skills are able to contribute more to their society.
There were six development banks operating at the all-India level, together with a range of other national and state-based agencies (IDBI, 2004). Each of the all-India development banks was accorded a particular role in economic development. For example, the Infrastructure Development Finance Company Ltd. (IDFC, 2003) was charged with providing the foundations for the development of industries by "removing impediments to the movement of capital to infrastructure sectors" in financing projects such as roads, power and agribusiness. The Industrial Investment Bank of India Ltd. (IIBI) was the primary funding and reconstruction agency for the rehabilitation of 'sick' and closed industrial units (IDBI, 2000). The Small Industries Development Bank of India (SIDBI), incorporated in 1990, was set up to finance SMEs, including village and cottage industries through to high-technology SMEs, and its role was accorded particular relevance in fostering balanced regional development.

The research is an investigation concerning regional development and the economic financing function of the development banks, examining how well the banks fulfilled its role in respect to fostering the start-up and growth of SEs in developed / developing regions of India. At this time the landscape of the public (and private) banking system in the nation underwent significant change as a result of the implementation of reforms recommended by the Narasimham Committee in 1992 and 1997 (Ketkar & Ketkar, 2008).

**FACTORS AFFECTING GROWTH OF ENTREPRENEURSHIP IN INDIA:**

1. Prevailing basic environment such as economic, social, political, financial, infrastructural, religious, cultural, natural, industrial, entrepreneurial, managerial, technical and legal.
2. Government policies and strategies regarding the promotion of entrepreneurship.
4. Two world wars, which forced the colonial government to encourage the local industries in order to meet the military needs during war personnel.
5. The advent of political freedom in 1947.
6. The operation of Five Year Plans since 1951.
7. Size, type, occupation, financial and political status of the family.
8. Contacts and kinship network of the entrepreneurs.
9. Regional influences and forces.
10. Advent of entrepreneurial education and training.
11. Establishment of development banks at central, state and regional level.
12. Establishment of entrepreneurship development institutes both at Central and State level.
13. Availability of capital subsidy, fiscal and financial incentives, concessional finance, easy and ordinate supply of entrepreneurial finance.
15. Introduction, absorption and induction of new technology.
16. Creative response from the society in the form of demand and respect to the entrepreneurial locations.
17. Better entrepreneurial locations.
18. Increasing awareness due to entrepreneurial revolution.
19. Castes and social stratification.
20. Increasing foreign collaborations in industrial, training and commercial entrepreneurship.
**REVIEW LITERATURE**

Salami, A.T. (2009) Recent research shows that 40 to 50 percent of enterprises in developing countries are owned and run by Indians. Hence it can be seen that women entrepreneurship is a growing phenomenon and has had a significant economic impact in all economies. However, women-owned enterprises have their fair share of challenges and constraints. The programme’s main objective has been to promote entrepreneurship development in the food processing subsector through the improvement of existing micro enterprises managed by men, and the encouragement of new ventures with a potential to grow into SEs. Thomas H, (2010) opined that entrepreneurship is the process of creating something new with value by devoting the necessary time and effort, assuming the accompanying financial, psychic and social risks and receiving the resulting rewards of monetary and personal satisfaction and independence. This definition stresses four bases aspects of being an entrepreneur. Action takes place over time, and the future is unknowable, action is inherently uncertain. This uncertainty is further enhanced by the novelty intrinsic to entrepreneurial actions, such as the creation of new products, new services, and new ventures and so on. Alfaro et. al. (2010) discussed that the relationship between entrepreneurship and economic growth has been elaborated by numerous authors and in varying perspectives. Entrepreneurs as selfcentered, rational beings who have “a will to conquer, an impulse to fight, and a need to succeed for the sake of succeeding” . The entrepreneurs direct the means of production in innovative ways, and done effectively can secure the success of a business. Alam et al (2011) although there it can take on different forms like survival, profit, return on investment, also on happiness and satisfaction, reputation, number of employees and stability, depending on the focus of the study. The business success here used entails two requisites: (1) that the company is able to pay its employees on time and according to the established contracts and (2) having experienced financial growth in the past three years. In the literature, success has generally been operationalized in using indicators such as income, employment that is either steady or growing, revenue growth, or more frequently years in business . Xpatulator (2012) argued entrepreneurship is developed as a fundamental human practice based on a mindset, and further facilitated through an infrastructure. He mentions that although some individuals may be more entrepreneurially inclined than others, entrepreneurship is more than a set of personality traits and is created by a combination of personality, motivation and context. Access to financial capital is always one of the major setbacks for business entrepreneurship.

**OBJECTIVE OF THE STUDY**

- To find out the effects of loans received from development banks for promoting business venture.
- To identify challenges and solutions associated with loans for Enterprise Promotion.
- To study the extent to which development banks have been successful in generating entrepreneurship environment in small scale sector of the national economy.

**METHODOLOGY ADOPTED**

The researcher visited five small enterprises among the 35 enterprises which had responded to the questionnaire for interview in order to get more explanations. Unstructured interview was used. The unstructured interview was chosen not only to give a greater freedom for the
researcher to ask questions and lead the direction of the interview but also gave room for the respondents to provide in-depth information.

The population was small enterprises that were situated in Delhi (NCR) and three banks IFCI, ICICI and IDBI. Sample Population, the criteria identified for formal business entrepreneurship in Delhi is based on a singular sample of the private sector, those associated through those have taken financial assistance from ICICI BANK, IDBI BANK, IFCI BANK only representative of a small group of entrepreneurs and cannot be considered representative of the whole of private sector activities in Delhi (NCR). Since there are many businesses in Delhi (NCR), researcher was able to provide the knowledge needed to get around and provide the sample needed for the research. Statistical tools like ANOVAs & Percentage Analysis has been used for interpreting the results. The research used explanatory design. Explanatory research attempts to clarify why and how there is a relationship between two or more aspects of a situation or phenomenon. Both primary & secondary data has been used for the research.

**DATA ANALYSIS & FINDINGS**

H1: There is no working relationship between development Banks and Entrepreneur Promotion

H1: There is a working relationship between development Banks and Entrepreneur Promotion

**TABLE : CORRELATIONS BETWEEN DEVELOPMENT BANKS AND ENTREPRENEUR PROMOTION**

<table>
<thead>
<tr>
<th></th>
<th>Sampled Development Banks and Small Enterprises are working together to develop best practices in India</th>
<th>Sampled Development Banks and Small Entrepreneurs promotion have a working relationship</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pearson Correlation</strong></td>
<td>1</td>
<td>.223**</td>
</tr>
<tr>
<td><strong>Sig. (2 tailed)</strong></td>
<td>.002</td>
<td>.002</td>
</tr>
</tbody>
</table>

Sampled Development Banks and Small Enterprises are working together to develop best practices in India

**Pearson Correlation**

**Sig. (2-tailed)**

Sampled Development Banks and Small Entrepreneurs have a working relationship

**Correlation is significant at the 0.01 level (2-tailed).**
It can be seen from above table that the simple coefficient correlation between Development Banks and Entrepreneurs promotion recorded 0.223 values indicating a weak relation at 0.01 level of significance. Since there is a positive though weak relationship between them we accept the alternative hypothesis; this implies there is a relationship between Development Banks and Small Entrepreneur Promotion. The weak relationship may implies that there is supposed to be a working relationship but it is weak. That is, the impact of the relationship is not felt between both of them.

### TABLE : REGRESSION MODEL SUMMARY

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.223</td>
<td>0.050</td>
<td>0.045</td>
<td>1.103</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Sampled Development Banks and Small Entrepreneurs promotion have a working relationship

The result of table 12 reveals that R Square at 4.5% is the total variation of the working relationship between Sampled Development Banks and Small Entrepreneurs promotion which implies the relationship is a weak relationship.

### TABLE : ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>11.940</td>
<td>11.940</td>
<td>9.822</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>227.309</td>
<td>1.216</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>239.249</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Development banks & Entrepreneurs promotion have a working relationship . b) Dependent Variable: Development Banks & Small Enterprises are working together to develop best practices .

Results in table show that there is a significant relationship between Development banks and Entrepreneurs Promotion , that is, the P-value of 0.02 in this relationship is less than the pre-set level of significance in this study which is 0.05 (P=0.02<0.05).

### TABLE : - COEFFICIENTS.

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>1.745</td>
<td>.210</td>
<td></td>
</tr>
<tr>
<td></td>
<td>The development banks and entrepreneurs promotion have working relationship</td>
<td>0.215</td>
<td>0.068</td>
<td>0.223</td>
</tr>
</tbody>
</table>
a. Dependent Variable: Development Banks and small enterprises are working together to develop best practices in India

If calculated $F > 0.05$; reject null Hypothesis $H_0$ and accept $H_1$. From the above ANOVA (F distribution), calculated $F$ is 9.822 at 0.02 significant levels. Since $F$ is 9.822 at 0.02 is greater than 0.05, we accept $H_1$ and reject $H_0$, which implies that there is a working relationship between them.

$H_2$ : Development Banks does not implement the sections in the banks loan policy on Entrepreneur that states that all small enterprises should contribute to the growth of national economy.

$H_2$ : Development Banks do implement the sections in the banks loan policy on Entrepreneur that states that all small enterprises should contribute to the growth of national economy.

**TABLE : REGRESSION MODEL SUMMARY**

<table>
<thead>
<tr>
<th>Model</th>
<th>$R$</th>
<th>$R^2$</th>
<th>Adjusted $R^2$</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.055a</td>
<td>.003</td>
<td>-.002</td>
<td>.686</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), The section on development banks states bank loan policy entrepreneurs is elaborate enough

The table above $R^2$ reveals 3% of the total variation is being implemented, showing a negative value of adjusted $R^2$, the null hypothesis is therefore accepted and the alternative hypothesis rejected.

**TABLE : ANOVA**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Mean Square</th>
<th>$F$</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>.264</td>
<td>.264</td>
<td>.561</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>88.095</td>
<td>.471</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>88.360</td>
<td>.471</td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), The section on development banks states bank loan policy entrepreneurs is elaborate enough. b) Dependent Variable: Is the section of development banks stating that entrepreneurs of small enterprises should contribute to the growth of national economy being implemented at all levels?
<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 (Constant)</td>
<td>1.681</td>
<td>0.036</td>
</tr>
<tr>
<td>The section on development banks states bank loan policy entrepreneurs is elaborate enough</td>
<td>.166</td>
<td>.049</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.55</td>
</tr>
<tr>
<td></td>
<td></td>
<td>10.150</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Is the section of development banks stating that entrepreneurs of small enterprises should contribute to the growth of national economy being implemented at all levels?

From the above table ANOVA (F-distribution), calculated F is 0.561 at 0.455 significant levels, exceed the pre-set value of 0.05, we therefore accept null and reject H1. On this premise therefore, the null hypothesis which holds that Development Banks does not implement the sections in the banks loan policy on Entrepreneur that states that all small enterprises should contribute to the growth of national economy is accepted; and the alternative hypothesis rejected.

From the above result, the calculated F is 0.561 at 0.455; it is less than 0.05 significant levels. We accept Ho and conclude that Development Banks does not implement the sections in the banks loan policy on Entrepreneur that states that all small enterprises should contribute to the growth of national economy.

**CHALLENGES**

- It was observed and found that there were similar constraints for promotion that were finance oriented in the studied women enterprises. One was a small amount of loan that was provided. The amount was not enough to make an investment on promotion.
- “Investing in upgrading of product is very expensive and sometimes very risky, I rather use the money I got from loan in buying more raw materials and adding some more workforce so that I increase quantity of what I produce, that is more profitable and it is the one thing applicable considering the amount of loan we get from the Financial institution.”
- Also the data revealed that the weekly returns of the part of loan amount was a constraint to the enterprisers. That is due to the finance arrangements that the entrepreneurs were supposed to go back to these (IDBI, IFCI, ICICI) banks weekly to return some portion of the loan as arranged as part of terms and conditions for obtaining the loan.
- Other constraints that came about included high interest rates that was charged.
- The most common constraint that was spoken by almost all the respondents was the gestation period for starting returning the loan. It was found that these enterprises saw that there was a very short gestation period until the starting of paying back the loan. The banks should give us even a year before starting collecting their debts.
Loans for promotional activities given that you make a good assessment of the amount of loan needed and the terms and conditions that come with the loan. Also without forgetting good finance management skills and hardworking.

CONCLUSION
Investing in promotional activity is not a short time thing, the profits from these activities takes time to be seen. Now if you are given a loan that has to be paid back after six months what good does it do if you put all of the loan taken into something that will not be even half done by six months. Also it was found that the terms of procedure of payments needed to be evaluated and changed according to kind or type of an enterprise. The weekly payback should have considered the type of the enterprise and the product produced and not the amount of the loan that was taken. The weekly paybacks should be flexible because all days are not the same in terms of profits, some weeks business is bad compared to others. This way maturity of profits of the loan could have been captured. Other solution that was put forward asserted that Loan should be directed to production and not other personal consumption. This is due to the fact that sometimes the loans that are obtained from these micro credit institutions end up being used in other social activities and just a few of the loan remained is put into investment into the enterprise. The common solution that was so stressed was concerned with reduction in interest rate. The entrepreneurs suggested that reduction in interest rate will have a more effects on promotion activities because the entrepreneurs can now afford to take bigger loan and the payback will be easier and also it is effective because the amount invested will be bigger enough to realize increase in productivity and hence profits.

REFERENCES