

## CHAPTER- 1

### INTRODUCTION

The entrepreneurs are the backbone of any economy. Even the developed countries like Germany, USA, UK and Japan have realised the need to promote entrepreneurs for their economic development. Empirical studies have shown that entrepreneurs are the real agent for development of an economy through employment generation, rise in income, capital formation and innovation. According to Bernal (1960), imitating entrepreneurs who are capable of adapting the innovations of others are sufficient to accelerate the pace of industrialisation of the countries<sup>1</sup>. Therefore, for a nation like India, which aims to achieve a rapid, all-round and regionally balanced economic growth through industrialisation, the emergence of large number of entrepreneurs running small, tiny and ancillary units is a vital necessity. The entrepreneurs play an important role in the country like India which has been suffering from the problems of poverty, unemployment, economic backwardness and rapid growth of population<sup>2</sup>.

At the time of independence, the industrial base of Indian economy was very poor and the manufacturing industries were beset with many problems like, transportation, raw material, marketing, and deficiency of capitals etc<sup>3</sup>. A large number of factors were responsible for the slow growth of entrepreneurship. The colonial Government discouraged industrial sector, especially industries promoted by Indians. According to Aravindrai N. Desai (1989), it was calculated discrimination

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<sup>1</sup> Anitha, H.S. (2003). *Entrepreneurship Development Role of Commercial Banks*. Jaipur: Mangal Deep Publications. p.3.

<sup>2</sup> Malika, V. (2012). *The Role of Small Scale Industry in Reduction of Poverty in India*. Retrieved from published in Indiastat.com, Tamil Nadu

<sup>3</sup> Anitha, H.S.(2003). *ibid* p3.

perpetrated against the Indian industrial interest, which scuttle the growth of native entrepreneurship.<sup>4</sup> However; entrepreneurship among Indians in the pre-independence days was not totally absent, though not well developed.

After independence, the Government of India and State Governments have built up a strong financial system to provide financial support to all types of entrepreneur, and adopted various Industrial Policy Resolutions in 1948, 1956, 1977, 1980, 1990 and the latest in 1991 for development of small scale entrepreneurs in the country<sup>5</sup>. To achieve these goals, government has set up different institutions viz., Indian Institute of Entrepreneurship (IIE) in 1960, Khadi and Village Industries Commission (KVIC) in 1957, National Institute of Small Industry Extension Training (NISIET) in 1960, National Small Industries Corporation (1955) etc. The main objective of these institutions is to develop and promote small, tiny, cottage industries in the country for generating of employment opportunities especially among the rural and backward areas<sup>6</sup>. The commercial banks have also been playing the entrepreneurial role in the post- independent period and contributed a lot for the advancement of industry in the country<sup>7</sup>.

But in the post- independence period it is witnessed that the failure on the part of small scale industries to face the large- scale industries resulted in the closure of many units. This is mainly due to the advantages of the large units having over the small units in the areas like strong financial backgrounds, skilled labour force, marketing etc. The growth of the small industries largely depends on how the

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<sup>4</sup> Anitha, H.S.(2003 ) opcit p3.

<sup>5</sup> Anitha, H.S.(2003). opcit p.4.

<sup>6</sup> Sharma, P.K. (1991). *Development Banks and Entrepreneurship Promotion in India*. New Delhi: Mittal Publications, 27.

<sup>7</sup> Sharma, P.K. (1991): *ibid*, p123

financial institutions including commercial banks are playing their entrepreneurial role efficiently and effectively. The sizeable expansion of the banking network in the post nationalisation era has ensured easier access to credit than ever before. But this in itself is no guarantee that timely and adequate finance is actually available in all the cases to units set up by the small entrepreneurs<sup>8</sup>.

With these abashed background the present study has been undertaken to evaluate the role of commercial banks in financing and promoting the micro and small entrepreneurs in the Hailakandi district of Assam.

### **Statement of the Problem**

In a developing country banks can play an important role in the economic development by improving the standard of living of the people, eliminating poverty and backwardness. The rate of economic development depends on the efficient and effective use of physical natural resources by the human resources. In labour abundant and capital shortage economy like India, there is a limitation to the government providing job opportunities to all unemployed persons. India today is the second largest populated country in the world, only next to the China. According to the census report 2011, India's population was 1210.19 million (17.31percent of the total population of the world). India is experiencing an increase in the working age ratio and this is being hailed as India's opportunity to undergo faster growth. However, the rate of growth depends upon the productive employment of the human resources.

It is not possible on the part of the Government to provide gainful employment in the public sector alone. That is why, the Government of India since 1970 chalked out different entrepreneurship development programme for creating self employment

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<sup>8</sup> Anitha, H.S. (2003), opcit, p.3

opportunities among the unemployed people. In spite of this, unemployment rate in 2001-02 was 8.87 percent when the total number of labour force was 378.21 million<sup>9</sup>. The rate of unemployment has slightly decreased in 2004-05 to 8.22 percent when labour force has increased to 417.24 million. It is a matter of satisfaction that in 2009-10; the unemployment rate has declined to 6.53 percent when labour force in the country was 428.9<sup>10</sup>. This is mainly due to the Government's initiative to provide gainful employment opportunities by launching a number of special employment generation programmes for self and wage employment in rural and urban areas. The direct attack on poverty and generation of employment opportunities first started in 1978-79 in 2,300 development blocks in the name of Integrated Rural Development Programme (IRDP) which was later on extended in the entire country. The NREP also commenced at the same time as part of the Sixth plan and aimed at helping the segment of population which depended largely on wage employment and had virtually no source of income during the lean agricultural period. The RLEGP was launched on August 15, 1983, with the objectives of expanding the employment opportunities for the rural landless. However, with a view to making the implementation of this wage employment programmes more effective, NREP and RLEGP were merged into a single rural employment programmes namely Jawahar Rozgar Yojana (JRY), since April 1, 1989. The Training of Rural Youth for Self Employment (TRYSEM) was introduced at that time for skill development. After 1990 the various programmes that were implemented and experimented providing employment. Prime Minister Rozgar Yojana (PMRY) was launched on 2<sup>nd</sup> October 1993 for providing self employment to the educated unemployed. The programme was discontinued its operation from April 2008. In August 2008 the Government

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<sup>9</sup> NSSO (2012), 66 round, unemployment rate is based on current daily status basis

<sup>10</sup> NSSO (2012), 66 round, unemployment rate is based on current daily status basis

introduced new employment generation credit link subsidy scheme titled Prime Minister Employment Generation Programme (PMEGP) in August 2008, for setting up micro enterprises in rural and urban areas by merging Prime Minister Rozgar Yojana (PMRY) and Rural Employment Generation Programme (REGP).<sup>11</sup>

The other wage employment generation programme for the rural poor includes SGSY, SGRY (launched in September 2001) and MGNREGS (in February 2006). For urban areas NRY was launched in October 1981 which was merged into the Swarnajayanti Shahari Rozgar Yojans in 1978-79.

It may be mentioned that for the successful implementation of the schemes, the commercial banks play an important role. The banks come forward the entrepreneurs' productive activities by starting their own projects or industries or business units rather than depending on some employer for employment and livelihood. When more and more persons come forward to starting their own enterprises and manage them efficiently and effectively, it is possible to eliminate poverty, backwardness and unemployment problem. But, a society constrained by the suppressive socio-economic factors cannot generate the much-needed entrepreneurs to help the entrepreneurs in its own that too among rural masses. The Industrial Policy Resolutions passed since independence has given added thrust to growth and development of this micro and small scale sector.

In spite of providing various incentives and easy loans by the commercial banks, the success rate of many units is very poor. What are the problems of poor financial health and as well as poor performance of many micro and small scale industrial units? What role played by the banks for development of these units, more

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<sup>11</sup> Agarwal, A.N.(2012). *Indian Economy*. New Delhi: Vishwanath Prakashan, pp.142-43.

particularly which are located in the under developed region? The present study makes an endeavour in this direction.

## **Concepts and Definitions**

### **Entrepreneur**

The word 'entrepreneur' had its origin way back to 12<sup>th</sup> century. It is derived from the French word 'enterprendre' which literally means, 'to undertake'<sup>12</sup>. In the early 16<sup>th</sup> century, it was applied to those who were engaged in military<sup>13</sup>. In 17<sup>th</sup> century it was extended to cover all engineering activities such as construction and fortification<sup>14</sup>.

It was only in the beginning of 18<sup>th</sup> century that word was used to refer economic activities. The entrepreneur and his unique risk bearing function of the entrepreneurs was first identified in the early 18<sup>th</sup> century by Richard Cantillon, an Irishman living in France, he defined an entrepreneur as a person who buys factor service at 'certain' prices with a view to sell its product at uncertain prices in the future, there by bearing a non- insurable risk<sup>15</sup>. In the late 19th and early 20th centuries, entrepreneurs were frequently not distinguished from managers and were viewed mostly from an economic perspective<sup>16</sup>.

According to **J.B. Say (1827)**, an entrepreneur is an economic agent who unites all means of production- land of one, the labour of another and the capital of

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<sup>12</sup> Salehi, M. (2011). *Entrepreneurship in the Banking Sector: Empirical Evidence of Iranian Own-State Bank*. Africa Journal of Business Management, Vol.5 (ii), pp.75-85.

<sup>13</sup> Cochran, T.C.(1950). *Entrepreneurial Behavior and Motivation Exploration and Entrepreneurial History*", Vol.2, pp.304-307

<sup>14</sup> Cantillon, Richard (1971): in Kilby,Peter (ed) "*Entrepreneurship and Economic Development*", The Free Press, New York, p.2

<sup>15</sup> 15. Saheli, M.(2011) Op cit p.457

<sup>16</sup> Cochran, T.C. (1950) op cit p.75

yet another and thus produces a product. By selling the product in the market he pays rent of land, wages to labour, interest on capital and what remains is his profit<sup>17</sup>.

According to **Schumpeter (1934)**, entrepreneurs are innovators who use a process of shattering the status quo of the existing products and services, to set up new products, new services<sup>18</sup>.

**David McClelland(1961)** defined an entrepreneur as a person with a high need for achievement [N-Ach]. He is energetic and a moderate risk taker.<sup>19</sup>

According to **Peter Drucker (1964)**, an entrepreneur searches for change responds to it and exploits opportunities. Innovation is a specific tool of an entrepreneur hence an effective entrepreneur converts a source into a resource<sup>20</sup>.

**Kilby (1971)** emphasizes the role of an imitator entrepreneur who does not innovate but imitates technologies innovated by others are very important in developing economies.<sup>21</sup>

According to **Albert Shapero (1975)**, entrepreneurs take initiative, accept risk of failure and have an internal locus of control.<sup>22</sup>

According to **I.L.O (1991)**, described' entrepreneurs' are people who have the ability to see and evaluate business opportunities; together the necessary resources to take advantage of them; and to initiate appropriate action to ensure success.<sup>23</sup>

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<sup>17</sup> Say, J.B. (1827). *A Treatise on political Economy*. New York: A. M. Kelley.

<sup>18</sup> Schumpeter, J.A.(1934). *The Theory of Economic Development*. Cambridge: Harvard University Press, p.14.

<sup>19</sup> McClelland (1961). *The Achieving Society*. New York: The Free Press, p. 28.

<sup>20</sup> Drucker (1991). *Innovation and Entrepreneurship*", Elsevier Linacre House, U.K.

<sup>21</sup> Kilby.Peter (1971). *Entrepreneurship and Economic Development*", The Free Press, New York, pp.21.and 76

<sup>22</sup> Albert, S.(1975):*Entrepreneurship Development*. New Delhi: Kanishka Publishers and Distributors.

Thus, from the above definitions, it can be understood that the entrepreneurs had been defined in various ways - an innovator, a risk taker, a resource assembler, an organization builder, and bearer of uncertainty and so on. Hence entrepreneurs can be defined as a person who identifies an opportunity, collects the money and other resources needed to exploit that opportunity and takes some or all of the risks associated with executing industrial or business projects.

Sociologists, Psychologists and economists have all attempted to give a clear picture of the entrepreneur. Sociologists analyze the characteristic of entrepreneurs in terms of caste, family, social value and migration. Psychologists on the other hand attempt to isolate entrepreneurs from general population on various personality traits such as need for achievement, creativity, propensity to take risk, independence, leadership etc.

To an economist, an entrepreneur is one who brings resources, labour, materials, and other assets into combinations that make their value greater than before, and also one who introduces changes, innovations, and a new order.

### **Entrepreneurship**

Entrepreneur and entrepreneurship are quite separate from each other. Entrepreneur is basically a human being and entrepreneurship is his quality<sup>24</sup>. Though they are the two sides of the same coin, conceptually they are different. The entrepreneurship is a golden practice and excellent discipline, a dynamic and continuous process of economic development and social reformation. Entrepreneurship demonstrates the inner quality; a creative and innovative response of

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<sup>23</sup> I.L.O. (1991). *Will Small Business be the Answer for Developing Countries?* Volume-29(1), p. 91

<sup>24</sup> Sharma, P.K. (1991). *Development Banks and Entrepreneurship Promotion*. New Delhi: Mittal Publications



the entrepreneur to changing environment, such creative and responsible response can take place in any field of social endeavour<sup>25</sup>. Thus, entrepreneurship is a perennial and perpetual process of development and reformation in every field of socio-economic endeavour. Thus the dynamic process of entrepreneurship may be effectively utilised in any field of social activities like economic and commercial.

Entrepreneurship is a multidimensional task defined differently by different authorities. The few such definitions are as:

According to **Cole, A.H. (1949)**, an 'entrepreneurship' is the purposeful activity on individual or a group of associated individuals, undertaken to initiate, maintain or organize a profit- oriented business unit for the production or distribution of economic goods and services<sup>26</sup>.

**Robert Ronstadi(2000)**, had defined entrepreneurship is the dynamic process of creating incremental wealth by assuming major risks in terms of equity, time and/ or career combination of providing value for some product or service.<sup>27</sup>

Adam Smith to Marshall, the economists made no efforts to define or includes entrepreneurship in their economic literature. Cantillon also evaluated entrepreneurship as forth factor of production but fail to recognize it as a premier force in economic development<sup>28</sup>. Basically, the English economic theory was extremely aggregative and therefore individuals at micro level were treated as

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<sup>25</sup> Sharma, P.K. (1991). *ibid*

<sup>26</sup> Cole, A.H.(1949). *Changes and Entrepreneurs: Postulate and Patterns*. Harvard: Harvard University Press, p. 19.

<sup>27</sup> Robert, R. (2000). *Principles of Management and Entrepreneurship Development*. New Central Book Agency (p) Ltd, p.9.

<sup>28</sup> Saini, J.S. (2003). *Entrepreneurship Development*. New Delhi: Deep and Deep Publications.

suppressed in the competition' J. A. Schumpeter (1934), for the first time considered entrepreneurs as innovators.<sup>29</sup>

Thus, the term 'entrepreneurship' has a plethora of definitions, but consensus has to date emerged on what skills and abilities a person should possess to become an entrepreneurs, how an entrepreneurial class can be developed, or how the supply of entrepreneurs in a particular society can be increased. It may appear a little surprising that despite the subject of entrepreneurship having been under discussion for more than two centuries, the concept still remains a little clouded.

### **Micro and Small Entrepreneurs**

In a way, small and large scale enterprises are two legs of industrialization process of a country. Hence, small-scale enterprises are found in existence in every country. The definition of small scale industry varies from one country to another and from one time to another in the same country depending upon the pattern and stage of development, Government policy and administrative set up of the particular country.

The Fiscal Commission, 1950 (GOI 1950), for the first time, defined a small scale industry as one of which is operated mainly with higher labour usually 10 to 50 hands. The Government of India set up the Central Small Scale Industries Organisation and Small Scale-Industries Board in 1954-55 for promoting the small scale industries. Small Scale-Industries Board at its first meeting held on January 5<sup>th</sup> and 6<sup>th</sup> 1955, defined small scale industry as a unit employing less than 50 employees if using power, and less than 100 employees without the use of power and with a

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<sup>29</sup>Lakhanpal, Ajay (1990). *Entrepreneurship Development- An Institutional Approach*. New Delhi: Commonwealth Publications.

capital asset not exceeding Rs. 5 Lakhs<sup>30</sup>. The investment limit and employment vary from time to time in India (Table 1.1)

Table 1.1  
Investment criterion Small Scale Industries in different years

Year	Investment Criterion		Employment Criterion
	SSI unit	Ancillary unit	
1958	Fixed capital investment upto Rs.5 lakhs.	Same as SS unit.	Employment upto 50 workers if using power or upto 100 if not using power.
1959	The value of machine was taken as the original price paid irrespective of new or old machinery.	Same as SSI unit.	Employment upto 50 workers if using power or upto 100 if not using power.
1960	Gross value of fixed asset upto Rs. 5 lakhs.	Gross value of fixed asset upto Rs. 10 lakhs.	Employment criterion dropped
1966	Rs.75 lakhs.	Employment dropped	Employment criterion dropped
1975	Rs.10 lakh.	Employment dropped	Employment criterion dropped
1980	Rs.20 lakhs.	Rs.25	Employment criterion dropped
1985	Rs.35 lakhs.	Rs.45	Employment criterion dropped
1991	Rs.60 lakhs.	Rs.75	Employment criterion dropped
1997	Rs. 3 crore	Rs.3 crore	Employment criterion dropped
1999	Rs. 1 crore	Rs.1 crore	Employment criterion dropped

Source: Khanka, S.S. (2013). *Entrepreneurial Development*. New Delhi: S.Chand, 250-251

<sup>30</sup> Khanka, S.S.(1999). *Entrepreneurial Development*. New Dehi: S.Chand, p. 249

The Government of India passed “The Micro, Small and Medium Enterprises Development Act” 2006 <sup>31</sup> after wide consultation with more than 300 industry associations, different government departments and multiple stake-holders across the country. In accordance with the provision of MSMED Act 2006 the Micro, Small and Medium Enterprises are classified in two classes:

1. Manufacturing Enterprises: The enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the Industries (Development and Regulations) Act, 1951 or enjoying plant and machinery in the process of value addition to the final product having a distinct name or character or use. The manufacturing enterprises are defined in terms of investment in plant and machinery. The new definition is as follows:
  - i. A micro enterprise, where the investment in plant and machinery does not exceed Rs. 25 lakh;
  - ii. All enterprise, where the investment in plant and machinery is more than Rs. 25 lakh but not exceed Rs. 5 crore and;
  - iii. A medium enterprise, where the investment in plant and machinery is more than Rs. 5 crore but does not exceed Rs. 10 crore.
2. Service Enterprise: The enterprises engaged in providing or rendering of services and are defined in terms of investment in equipment. The new definition of service enterprise as follows:
  - i. A micro enterprise, where the investment in equipment does not exceed Rs. 10 lakh;
  - ii. A small enterprise, where the investment in equipment is more than Rs. 10 lakh but does not exceed Rs. 2 crore and;

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<sup>31</sup> Ministry of MSME, GOI, April, 2014

- iii. A medium enterprise, where the investment in equipment is more than Rs. 2 crore but not exceed Rs.5 crore.

### **Essential Features of Micro and Small Enterprises<sup>32</sup>**

The following these are the main features of Micro and Small Enterprises:

1. A small or micro enterprise is generally a one-man show. Even the small units which run by a partnership firm or company, the activities are mainly carried out by one of the partners or directors.
2. In case of micro enterprises, the owner is a manager. Thus, these units are managed in a personalized fashion. The owner has firsthand knowledge of what is actually going on in the business. He takes effective participation in all matters of business decision making.
3. Compared to large units, a micro industrial unit has a lesser gestation period, i.e. the period after which the return on investment starts
4. The scope of operation of micro and small industrial undertakings is generally localized catering to the local and regional demands.
5. Micro units are indigenous resources and, therefore, can be located anywhere subject to the availability of these resources like new materials, labour etc.
6. Micro enterprises are fairly labour intensive with comparatively smaller capital investment than the larger units. Let the fact speak. According to P.C. Mahalnobis (1968), small scale units require very little capital. About six or seven hundred rupees would get an artisan family started. With any given investment, employment possibilities would be ten or fifteen or even twenty times greater in comparison with corresponding factory system.

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<sup>32</sup> Khanka, S.S.(1999). *Entrepreneurial Development*. New Delhi: S. Chand, p.252

7. Using local resources, micro enterprises are decentralized and dispersed to rural areas. Thus, the development of micro enterprises in rural areas promote more balanced regional development, on the one hand, and prevent the influx of jobs seekers from rural areas to cities and urbanizing centers, on the other.
8. Last but not in the least, compared to large scale units, small scale units are more change susceptible and highly reactive and receptive to socio economic conditions. They are more flexible to adapt changes like introduction of new products, new method of production, new materials, new markets, new forms of organisation etc.

### **Entrepreneurship Development in India**

In the pre colonial times the Indian trade and business was at its peak. Indians were experts in smelting of metals such as brass and tin. Kanishka Empire in the 1st century started nurturing Indian entrepreneurs and traders. The process of industrial transition in the British period is broadly divided into industrial growth during the 19th century and industrial progress during the 20th century. It was mainly the private sector, whether indigenous or foreign, that carried industrialisation forward. Only after the First World War some protection was granted to Indian industries, otherwise Indian industry had to weather all storms and face world competition on its own strength. However, Indians joined the ranks of industrialists early in the middle of the 19th century and their role grew throughout the period, continuously and steadily<sup>33</sup>.

Development of Entrepreneurship refers to all those activities undertaken to encourage a prospective entrepreneur to set up an industrial unit. It is cordial to industrial development as any other economic factor. A sound understanding of the

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<sup>33</sup> Awasthi, D. (2011). *Approach to Entrepreneurship Development: The Indian Experience*. Journal of Global Entrepreneurship Research, Vol.1, No.1, p. 107.

entrepreneurship development in India must evolve itself within the context of economic development in India. In the early years after independence, the government policy towards entrepreneurship development focused mainly on the building up of infrastructural facilities and the provision of concessions and subsidies. The government relied mainly on the indirect method of entrepreneurship development than the direct method<sup>34</sup>. The indirect approach to entrepreneurship development includes all those measures which are intended to create a suitable environment for the entrepreneurs to operate. It includes provision of financial assistance, financial incentives like tax concession, concessional finance, preference in government purchase, creation of infrastructural facilities, encouraging capital formation etc. Besides, other facilities which are provided to the entrepreneurs under indirect method approach include marketing assistance, equipment leasing and sale of machinery on hire purchase basis, pro-type development and research and development facilities through various government sponsored institutions. The assumption underlying this approach is that the various financial facilities available would induce people to set up an entrepreneurial activity.

In recent years, the government has formulated a National Equity Fund to enable the tiny and small scale units to bridge the gap in margin requirements while borrowing term loans.

The direct approach focuses on the development of the man rather than environment. Its main aim approach is to train people to perform the role of the entrepreneur. It includes, developing entrepreneurial aptitude among those people with identifiable entrepreneurial traits. Training is provided to potential entrepreneurs

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<sup>34</sup> Anita, H.S. (2003). Opcit.

in all aspects of establishing and managing an enterprise. The training agency even assists to selecting a project and setting up the unit. The government also provided a package of consultancy services through a network of technical organizations. In addition to that, the government adopted the Entrepreneurship Development Programme as an important instrument to develop small entrepreneurs in the country.

### **Entrepreneurship Development Programme (EDP)<sup>35</sup>**

The seed of entrepreneurship development training was sown with the Kakinada Experiment carried out by Prof. David C. McClelland during the mid 1970s. McClelland postulated that (i) the need for high achievement was an essential ingredient for the emergence of entrepreneurs; and, (ii) that it could be developed. He tested hypothesis in a few training programs in Kakinada, Hyderabad, and Bombay in India and Barcelona in Spain. The results indicated that it was possible to develop even the poor, illiterate, disadvantaged, and other non-business communities into entrepreneurs and help them set up and operate their own enterprises with appropriate training and counseling interventions.

Entrepreneurship Development of Programme means a programme designed to help the person in strengthening his or her entrepreneurial motive an acquiring skills and capabilities necessary for playing his or her entrepreneurial role effectively. It is not merely a training programme. It is a process of promoting his or her understanding of motives, motivation pattern, their impact on behavior and entrepreneurial value. Motivation of individuals is the main ingredient of EDP besides

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<sup>35</sup> Awasthi, D. (2011). Opcit. p. 107.



providing informational and managerial inputs and assistance in preparation of the project<sup>36</sup>.

The package of EDP is the outcome of the realization that industrial promotion by provision of facilities, technical assistance, management training and consultancy, industrial information and other services are not sufficient to develop entrepreneurs. Rather, the vital issues are to develop entrepreneurial spirit and entrepreneurial characteristics of the people, which can be done only one motivation. Motivation is “the process that motivates a person into action and induces him to continue the course of action for the achievement of goals”<sup>37</sup>.

Entrepreneurship Development Programme plays a vital role in development of entrepreneurship in the sense it opens up avenues for generation of self-employment; facilitates effective mobilization and utilization of resources, human and physical; encourages development of small-scale units and household enterprises; facilitates the maximum utilization of indigenous resources raising productivity of traditional sector; stimulates faster development and optimum utilization of financial institutions; creates potential entrepreneurs in various sectors of economy etc.

The role of Government in organizing EDPs hold much significance in a country like ours as it helps in converting the surplus labour force into real entrepreneurs. Besides, no business whether small, medium or big can start without an adequate amount of finance. Even an existing concern needs finance constantly. Finance is, notdoubt, an important resources but it is not only the condition to run an enterprise. In order to start any economic activity, a minimum level of prior built-up

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<sup>36</sup>Desai, Vasant(2002). *Small Scale Industries and Entrepreneurship Development*. Mumbai: Himalaya Publishing House, 387.

<sup>37</sup> Khanka, S.S., op. cit., p.40

of infrastructural facilities is needed. Besides, capability and knowledge of the entrepreneurs are another elements which holds importance in selecting and starting a business, to a great extent, can be enhanced by providing them proper training under EDPs. In a study on the “Effectiveness and Strength” of training methods for a group consisting of 60 trainees. Paul<sup>38</sup> stated that training methods were considered highly effective by most of the participants. But training itself is not enough to develop entrepreneurship; finance is also required specially by the first generation entrepreneurs to establish enterprises.

### **Objectives of Entrepreneurship Development Programme**

The objectives of the Entrepreneurship Development Programme which have been identified are as follows:

1. To foster entrepreneurial growth in the country, particularly in the small sector and the secure wider dispersal of entrepreneurship.
2. Optimum use of available resources.
3. Development of backward regions and expansion of non- farming activities in rural areas and improving the economic status of socially disadvantaged group like rural poor, tribal and women.
4. Generation of employment opportunities
5. Widening the industrial base through setting up small and medium scale industries<sup>39</sup>

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<sup>38</sup> Paul, Pigors (1976). *Case Methods” In Training and Development. Handbook*. New York: McGraw Hill Book Company.

<sup>39</sup> Anita, H.S. (2003). *Opcit*. P.6.

## **Process of Entrepreneurship Development <sup>40</sup>**

The process of a new enterprise is embodied in the entrepreneurial process. The various components involved in the entrepreneurial process are entrepreneurs, context, opportunity, venture, resources, management and strategy. This process has four different phases are given below:

- i. Identification and evaluation of the opportunities,
- ii. Development of the business plan by the entrepreneurs to exploit and implement the alarming opportunity,
- iii. Determination of the amount and type of resources and
- iv. Management of the resulting enterprises by the entrepreneurs could control the operational and other problems fully.

## **Role of Banks and Financial Institutions**

The economic and industrial developments of a country largely depend upon how efficiently the funds are managed by its banks and financial institutions. Efficacious management of banks and financial institutions will not only improve their profitability but also enhance their contribution to the industrial and economic development of a country vis-à-vis entrepreneurial development<sup>41</sup>.

Before nationalisation of commercial bank in India in 1969, the commercial banks neglected the small entrepreneurs. They had to borrow a lion's share of capital required by them from money lenders at an exorbitant rate of interest. Adequate finance and credit, had therefore, been a major problem of the small entrepreneurs.

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<sup>40</sup> Sudha, G.S.(2007). *Dynamics of Business Entrepreneurship*. Jaipur: RBSA Publishers,pp.14-17.

<sup>41</sup> Anita, H.S. (2003). *Opcit*. P 7.

The commercial banks, particularly after nationalisation, have been playing a key role in the in the economic and social transformation and development of our country. These banks have expanded incredibly fast in respect of number of branches as well as in diversifying its services in many directions. Financing schemes of banks and its capital assets alone would not bring about the much needed economic progress; promotional and developmental functions are equally important to banking institutions as the financing role. Over the period, commercial banks have evolved several comprehensive programmes for entrepreneurship development with a purpose to motivate first generation entrepreneurs to set up risk bearing ventures especially in industrially backward areas of the country.

The Entrepreneurship Development Programmes conducted by the banks are more or less similar in nature. The basic features of the EDPs are as:

- i. Identification and careful selection of entrepreneurs for training;
- ii. Development of the entrepreneurial capabilities of the trainees;
- iii. Equipping the trainees with basic managerial understanding;
- iv. Ensuing a viable industrial project for each potential entrepreneurs; and
- v. Helping him to secure necessary financial and related assistance.

However, the main functional area through which banks can help development of entrepreneurship is the deployment of credit.

All India level financial institutions like Industrial Finance Corporation of India (IFCI), Industrial Credit and Investment Corporation of India (ICICI), Industrial Credit Bank of India (IDBI), and National Bank for Agricultural and Rural Development (NABARD) either provide the financial assistance to the big industries in the large and medium sector or refinance the assistance given by commercial

banks, Co-operative Banks, Regional Rural Banks, and State Financial Corporations, in the region North Eastern Industrial and Technical Consultancy Organization (NEITCO), Indian Institute of Entrepreneurship (IIE). North Eastern Industrial Consultants Ltd (NECON) has been actively involved in entrepreneurship development activities like training, consultancy in the region. Their efforts have been supported by the North Eastern Council (NEC) in general and financial institutions like Industrial Development Bank of India (IDBI), North Eastern Development Finance Corporation Limited (NEDFi) and various commercial banks in particular.

### **Profile of the Banks**

The present study aims to cover the role of commercial banks in financing and promoting the small entrepreneurs in the Hailakandi district of Assam. However, the profile of the commercial banks operating under the network is provided in broad.

### **State Bank of India and its Subsidiaries <sup>42</sup>**

The evolution of State Bank of India can be traced back to the first decade of the 19th century. It began with the establishment of the Bank of Calcutta in Calcutta, on 2 June 1806. The bank was redesigned as the Bank of Bengal, three years later, on 2 January 1809. It was the first ever joint-stock bank of the British India, established under the sponsorship of the Government of Bengal. Subsequently, the Bank of Bombay (established on 15 April 1840) and the Bank of Madras (established on 1 July 1843) was set up. These three banks dominated the modern banking scenario in India, until when they were amalgamated to form the Imperial Bank of India, on 27 January 1921.

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<sup>42</sup> Progress of Commercial Banking at a glance, March, 2012.

## **Subsidiaries**

The State Bank Group includes a network of eight banking subsidiaries and several non-banking subsidiaries. Through the establishments, it offers various services including merchant banking services, fund management, factoring services, primary dealership in government securities, credit cards and insurance.

### **The eight banking subsidiaries are:**

- State Bank of Bikaner and Jaipur (SBBJ)
- State Bank of Hyderabad (SBH)
- State Bank of India (SBI)
- State Bank of Indore (SBIR)
- State Bank of Mysore (SBM)
- State Bank of Patiala (SBP)
- State Bank of Saurashtra (SBS)
- State Bank of Travancore (SBT)

Out of the above mentioned eight subsidiaries, State Bank of India is playing a major role in the entrepreneurial development in the study area. The SBI has only the power of direction, control and supervision over the subsidiary banks. It has 14,816 branches in India, 641 branches in Assam and 04 branches in Hailakandi till March, 2013<sup>43</sup>.

The State Bank of India is having up to September, 2011, was 16,000 and 14,647 associates branches spread over the length and breadth of the country. The bank has been taking particular interest in the development of SSIs in our country. It

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<sup>43</sup> Retrieve from [en.wikipedia.org//State\\_Bank\\_of\\_India](http://en.wikipedia.org//State_Bank_of_India),

provides financial assistance under pilot scheme, Entrepreneurs Scheme, Scheme for Financing of Artisans and Craftsmen, Employment- orientated Lending Scheme and provides equity support to SSIs also. The bank is running Technically Consultancy Cells for village industries. It also conducts Entrepreneurship Development Programmes and Technical Counseling and Management Appreciation Programmes. During the year 2007-08 its advances to small scale industry sector stood at Rs. 12,000 crore, 5.30 percent higher than the previous year.

The subsidiaries of State Bank of India provides equity support to small scale units, conducts Entrepreneurship Development Programmes, put its effort to prevent the chances of sickness of small units and provides counseling and consultancy services.

### **Nationalised Commercial Banks**

The Government of India promulgated an Ordinance called the Banking Companies (Acquisition and Transfer of Undertakings) Ordinance, 1969 on 19<sup>th</sup> July, in terms of which the Central Government acquired the undertakings of the following 14 major Indian Banks which had deposits of not less than Rs. 50 crore each on the last Friday of June 1969.

1. The Central Bank of India Ltd.
2. The Bank of India Ltd.
3. The Punjab National Bank of India Ltd.
4. The United Commercial Bank Ltd.
5. The Bank of Baroda Ltd.
6. The Canara Bank Ltd.
7. The United Bank of India Ltd.

8. The Dena Bank Ltd.
9. The Union Bank of India Ltd.
10. The Allahabad Bank Ltd.
11. The Syndicate Bank Ltd.
12. The Indian Overseas Bank Ltd.
13. The Indian Bank Ltd.
14. The Bank of Maharashtra Ltd.

Again on 15<sup>th</sup> April, 1980, six banks whose demand and time liabilities exceeded Rs. 200 crore were nationalised. The names of these six banks are given below:

1. The Andhra Bank Ltd.
2. The Corporation Bank Ltd.
3. The New Bank of India Ltd.
4. The Oriental Bank of Commerce Ltd.
5. The Punjab and Sindh Bank Ltd.
6. The Vijaya Bank Ltd.

In the post- nationalisation period, the scale and scope of bank assistance to the small entrepreneurs has been increasing consistently. Till then, they depend heavily on money lenders and indigenous bankers. Commercial banks have now involved new schemes to meet the varied credit needs of the small scale sector after a care full study. Many of the banks are providing consultancy services and counseling to small scale industries and Merchant Banking Services to the corporate sector also.- public.



## **Public sector Banks (PSBs)**

The term Public Sector Banks (PSBs) is used commonly in India. This refers to banks that have their shares listed in the stock exchanges National Stock Exchanges (NSE) and Bombay Stock Exchange (BSE) and also the Government of India holds majority stake in these banks. They can also be termed as government owned banks.

Public sector banks are the ones in which the government has a major holding. They are divided into two groups i.e. Nationalized Banks and State Bank of India and its associates. Among them, there are 19 nationalized banks and 8 State Bank of India associates. Public Sector Banks dominate 75% of deposits and 71% of advances in the banking industry. Public Sector Banks dominate commercial banking India. These can be further classified into:

- 1) State Bank of India
- 2) Nationalized banks
- 3) Regional Rural Banks

## **Public Sector Banks**

1. Allahabad Bank
2. Andhra Bank
3. Bank of Baroda
4. Bank of India
5. Bank of Maharashtra
6. Canara Bank
7. Central Bank of India
8. Corporation Bank
9. Dena Bank

10. IDBI Bank
11. Indian Bank
12. Indian Overseas Bank
13. Oriental Bank of Commerce
14. Punjab National Bank
15. P u n j a b a nd Sind Bank
- 16.1 State Bank of India
- 16.2 State Bank of Bikaner and Jaipur
- 16.3 State Bank of Hyderabad
- 16.4 State Bank of Mysore
- 16.5 State Bank of Patiala
- 16.6 State Bank of Travancore
17. Syndicate Bank
18. UCO Bank
19. Union Bank of India
20. United Bank of India
21. Bijaya Bank of India

### **Review of Literature**

While reviewing literature on entrepreneurship, we have to commence the discussion with seminal works on history of industrial development in India. The study of institutional role in financing and promoting the entrepreneurs and entrepreneurship development and the factors affecting the growth of entrepreneurship has attention of large number of researchers. A review of literature on the role of banks, financial institutions and the government in financing and

promoting the entrepreneurs and the factors affecting the entrepreneurship has been made and presented.

**Lakhanpal, Ajay (1984)<sup>44</sup>** examined the performance of financial institutions, promotional institutions and training institutions engaged in entrepreneurship development in Himachal Pradesh. He studied 58 entrepreneurs in Solan district to evaluate the influence of infrastructure facilities on entrepreneurship development. He stressed the need to make certain adjustments in institutional framework and recommended the creation of a state level single window industrial support system (SWISS).

**Sharma, C.P. (1984)<sup>45</sup>** in his study entitled, “Industrialisation Entrepreneurship and Development Banking”, discussed the role of the development banks in upgradation of technology in Indian industry. After analysing the data it is revealed that the real assistance for this purpose was very merge at all India level up to 1970s. Thereafter some steps have been taken in this direction by these institutions.

It was suggested that the special mobile industrial extension service for technical and managerial services can help a lot in technology upgradation of small scale industries.

**Dangwal and Reetu (2010)<sup>46</sup>** conducted a study on financial performance of commercial banks. In this study they compared financial performance of 19 commercial banks with respect to eight parameters and they classified the banks as excellent, good, fair and poor categories.

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<sup>44</sup> Lakhanpal, Ajay. (1984). *Entrepreneurship Development- An Institutional Approach*. New Delhi: Vikash Publishing House, p.78.

<sup>45</sup> Sharma, C.P.(1984). *Industrialisation Entrepreneurship and Development Banking*. New Delhi: Deep and Deep Publications.

<sup>46</sup> Dangwal, R.C. and Kapoor, K. (2010). Performance of RRBs. New Delhi: IRJ, P.24.

**Tiwari (1981)**<sup>47</sup> found that the government was assisting the for entrepreneurship development by providing financial assistance in the form of term loans, interest, subsidy, unsecured loans and concession in the form of subsidies in the capital, self employment loan etc.

**Thangavel, N. (2011)**<sup>48</sup> in his study pointed that the banking system touches the lives of millions and has to be inspired by larger social purpose and has sub verse national priorities and objectives such as rapid growth of agriculture, small industries and exports, rising of literacy rate, encouraging new entrepreneurs and development of backward areas. For the purpose it is necessary for the government to take responsibility for the extension and diversification of banking services and for the workings of substantial part of banking system. Government of India initiated a revolutionary step for banking companies. There are 28 scheduled commercial banks and also Private sector and Foreign sector Banks functioning in India. He came to be conclusion that the policy of branch expansion let to increase the number of branch banks all over the country would extend services.

**Kumar (1998)**<sup>49</sup> analysed the role of Canara Bank's Centre for Entrepreneurship Development, Bangalore which gives training to and helps the entrepreneurs to set up small industrial units besides providing assistance for marketing their product. The assistance by the government to women entrepreneurship has also been provided through various institutions like SIDO, DIC, EDI, NAYE, NISIET, SIDBI, SEF, WCFC and commercial banks etc.

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<sup>47</sup>Tiwari et al (1981): *Women Entrepreneurship of Eastern, UP. Challenges and Strategies of Empowerment*. New Delhi: Discovery Publishing House.

<sup>48</sup> Thangavel, N. (2011). *Social Banking in India: Priority Sector and its Developments-A Study*. Chennai: J. M. Academy, p 56

<sup>49</sup>Kumar, R.V. (1998). *Entrepreneurship Development Programme among Women*. New Delhi: Centre for Entrepreneurship Developments.

**Ammannya, K.K (1989)**<sup>50</sup> opines that to solve the problem of poverty, the poorest among the poor should be identified and they should be provided with financial assistance against viable projects. They should also be provided with adequate training for the proper utilisation of loan amount and be informed about the responsibility in repayment of the loan.

**Rama Krishan (1975)**<sup>51</sup> conducted a survey of 94 small scale units in Delhi. He collected the information about reactions of government schemes of assistance, expectations and educations. He found that the small scale units are needed of assistance for promoting their enterprises.

**Pal (1997)**<sup>52</sup> in a study on entrepreneurs need for financial sector reforms found that the lack of affordable credit from the formal financial sector was the most critical constraint for small entrepreneurs. It was also revealed that small entrepreneurs operating a business may approach a local financial institution, mostly the local bank.

**Ahmed, S.Z.(1999)**<sup>53</sup> pointed that the educated unemployed youth are not in a position to undertake projects with huge investment due to lack of credit worthiness. In this regard, self-employment through the PMRY Scheme is an ideal and dynamic channel which provides financial assistance in the form of loan to the industry, service and business ventures.

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<sup>50</sup> Ammannya. K.K. (1989). *Bank Credit and Growth Strategies- Some Issues, Indian Banking-Today and Tomorrow*. New Delhi: Vol.XIV (9), September, pp.2-9.

<sup>51</sup> Ram Krishan (1975). *New Entrepreneurship in Small Scale Industry in Delhi*. New Delhi: Economic and Scientific Research Foundation

<sup>52</sup> Pal, M.S. (1997). *Women Entrepreneurship and the Need for Financial Sector Reform*. New Delhi: Economic Reform Today

<sup>53</sup> Ahmed, S.Z.(1999). *Evaluation of PMRY as on June, 30 in Tinsukia district*. Government of Assam, p.29

**James and Woller (2004)**<sup>54</sup> stated that commercial banks and financial institutions are the main vein of an entrepreneur. They observed that education and training are important components of entrepreneur's development.

**Pathak(1972)**<sup>55</sup> evaluated the performing seven small scale units during 1960-1970 and five units during 1970- 71 with a view to find out the level of entrepreneurship. All the units were selected from the similar working environment. He studied their problems at three stages, inception, operation and expansion and suggested the requirements for entrepreneurial ability at different stages. He came to be conclusion that factors like contracts, education and financial institutions play an important role in entrepreneurial development

**Ram Krishnan. (1975)**<sup>56</sup> conducted a survey of 94 small scale units in Delhi. He collected the information about the entrepreneurs their social, education and occupational background and their motivation, expectations and reactions to after getting the financial assistance from the commercial banks.

**Sharma, R.A. (1980)**<sup>57</sup> evaluated the performance of promoters of 316 companies incorporated on or after independence. On analyzing the factors affecting the development of entrepreneurship, he found that new and small entrepreneurs were mainly motivated by factors internal to them such as desire to do something in life,

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<sup>54</sup> James,C. and Woller, M.(2004). *Microfinance: A Comprehensive Review of the Existing Literature. Journal of Entrepreneurial Finance and Business Ventures*, Vol. 9, Issue 1,

<sup>55</sup> Pathak, H.N. (1972). *The Entrepreneur, Technician and Manager in Small Scale Units*. New Delhi: Economic and Political Weekly,vol.7, No. 48, p.179.

<sup>56</sup> Ram Krishnan(1975). *New Entrepreneurship in Small Industry in Delhi*. New Delhi: Economic and Scientific Research Foundations

<sup>57</sup> Sharma, R.A. (1980). *Entrepreneurial Performance in Indian Industry*. New Delhi: Inter- India Publications. 150.

need for independence, etc. He concluded that financial and development institutions have made significant contribution to the growth of entrepreneurship.

**Sandhak (1989)**<sup>58</sup> found that entrepreneurs have emerged from different socio-economic backgrounds. He concluded that the availability of occasional finance and various incentives significantly influenced the location decision of the units, particularly in the backward area.

**Manohor U. Deshpande. (1982)**<sup>59</sup> studied 90 entrepreneurs from Marthwada region to find out entrepreneurial setting and various steps necessary in the preparatory stage. He concluded that government incentives like central subsidy, development of industrial areas and development of infrastructure have initiated and accelerated the process of industrialization and encourage some people to take up entrepreneurship. But he also disclosed that only the upper stratum of the society availed most of the benefits of economies created on the society by the government agencies to develop the small scale industrial entrepreneurship.

**Sarkar, B.K.(1983)**<sup>60</sup> in his paper “Banks marketing for the Target Groups in the Priority Sector” stated that success of a marketing drive for the target group in the priority sector depends on a careful study of each segment of the society. The need and capacity of the borrowers and their willingness to take activities etc. should be thoroughly analysed. The desired result can be achieved only if the borrowers utilised the borrowed amount for the purpose for which it was borrowed.

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<sup>58</sup> Sandhak, H. (1991). *Role of Entrepreneurs in Backward Area*. New Delhi: Daya Publishing House, p.113

<sup>59</sup> Deshpande, Manohor U. (1982). *Entrepreneurship of Small Scale Industries, Concept, Growth and Management*. New Delhi: Deep 7 Deep Publications, p.270.

<sup>60</sup> Sarkar, B.K.(1983). *Banks Marketing for the Target Groups in the Priority Sector*. Pranjan, Vol.XII(4),pp.315-325.

**Chandrasekhar, C.P. (2010)**<sup>61</sup> examined the financial performance of Development Banks; their role and importance for development in India. He stressed the need to make certain adjustments in development framework and concluded that NABARD rated top most position for development of entrepreneurship in the country.

**Prasad and Chari (2011)**<sup>62</sup> evaluated financial performance of public and private sector banks in India. In this study they compared financial performance of top four banks in India viz., SBI, PNB, ICICI and HDFC and concluded that on overall basis HDFC rated top most position.

**Manmohon Singh Gill (1990)**<sup>63</sup> examined the problems of borrowers in obtaining bank loans and its impact on their economic status. He opined that most of the loans under the sponsored schemes are sanctioned on the recommendations of the political leaders and officials and that the beneficiaries have given bribe to these leaders and officials for obtaining loans. It is revealed that though there is no much progress in the social status but the loans have helped the beneficiaries to improve their income status.

**Sharma, R.A. (1985)**<sup>64</sup> conducted a study to evaluate the performance of entrepreneurs who promoted their enterprises during 1961-1963. He bases his study on the performance of 242 non- government manufacturing companies incorporated during this period. In this study his main stress was to find out the problems of

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<sup>61</sup> Chandrasekhar, C.P.(2010). *Development Banks: Their role and Importance for Development*. New Delhi: Mittal Publications.

<sup>62</sup> Prasad, K.V. and Chari, A.A.(2011). *Review of Financial Performance*. IJED.

<sup>63</sup> Singh, Manmohan, Gill,(1990). *Weaker Section and Credit Facilities: Analysis of Delivery System*. Pranjan, vol.xix(4),pp.395-402.

<sup>64</sup> 64. Sharma, R.A. (1985). *Entrepreneurial Performance in Indian Industry*. New Delhi: Inter- India Publications.



finance faced by the entrepreneurs and role of commercial banks. He found that financial assistance is very important for the better performance of the entrepreneurs.

**Rao, V. Lakshman (1986)**<sup>65</sup> studied 51 entrepreneurs in a district of Andhra Pradesh. The main aim of the study was to find out the impact of the government programmes and policies for promoting industrial entrepreneurship. He was of the view that the government schemes and financial assistance have certainly boosted the entrepreneurship in Andhra Pradesh.

**Gunjan, M. Sanjeev (2009)**<sup>66</sup> conducted a study on Efficiency of Indian public sector banks and found that the efficiency of public sector banks has not increased during the period 2003-07. The amount of priority sector lending specially in small scale sector has been increasing rapidly since 1991.

**Himendu,P.M. (1998)**<sup>67</sup> viewed that banks are expected to provide entrepreneurs with financial assistance as well as inputs to support and promote their enterprise. But the banks have been found to be lacking on both counts and the concept of integrated approach to entrepreneurship development is totally absent. While the infrastructure and supportive inputs like knowledge and training are conspicuous by their absence, the financial assistance made available by the banks is not entirely to the satisfaction of entrepreneurs.

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<sup>65</sup> Rao, V. Laksmana. (1986). *Industrial Entrepreneurship in India*. , Allahabad: Chug Publications,p. 95.

<sup>66</sup> Gunjan, M. (2009). Efficiency of Indian Public Sector Banks. New Delhi: IJRM.

<sup>67</sup> Himendu,P.M.(1998). *Changing role of Banks in Entrepreneurship Development in India*. Retrieved from [www.sbacr.ucaedu/research](http://www.sbacr.ucaedu/research)

**Jain,A.(2013)**<sup>68</sup> in his study pointed that developing countries banks are now providing credit for development of agriculture and small scale industries in rural areas and also provide short and medium term loans to entrepreneurs to invest in new enterprises and adopt new methods of production. He stressed that the current scenario the economic development of our country also depends on organization of internal trade and expansion of foreign trade, especially exports. Therefore policies of the banking system affect economic development of our country. .

**Jayamani and Varghese (1997)**<sup>69</sup> in their study on PMRY reveal that the procedure and formalities in sanctioning the loans are too lengthy and time consuming. The procedures are almost duplication and causes unnecessary delay in sanctioning the loan. To eliminate the duplication of work, they suggest that the feasibility of the unit and capability and eligibility of the applicants must be scrutinized by only one agency, either the bank or the District Insurance Centre. They are suggested the PMRY Scheme must be operated for the benefit of the deserving people.

**Nitin and Thorat (2004)**<sup>70</sup> on a different note provide a penetrating analysis as to how constraints in the institutional dimensions have seriously impaired the governance of the RRBs. They have argued that perverse institutional arrangements that gave rise to incompatible incentive structures for key stakeholders such as political leaders, policy makers, bank staff and clients have acted as constraints on their performance. The lackluster performance of the RRBs during the last two

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<sup>68</sup> Jain, A. (2013). An overview of Economic Development through Banking System in Current Scenario”, IJRIM, Vol.3, Issue 1.

<sup>69</sup> Jayamani. John and Varghese (1997). *PMRY- A Micro Study*. Kurukshehra, vol.XL V(10) pp.50-52.

<sup>70</sup> Nitin and Thorat (2004). *Review of Literature on Performance of Financial Banks Collection*. New Delhi.

decades, according to the authors can be largely attributed to their lack of commercial orientation. An appropriate restructuring strategy would require identifying the problems leading to the non satisfactory performance of the RRBs.

**Malhotra (2002)**<sup>71</sup> considering 22 different parameters that impact on the functioning of RRBs for the year 2000, he asserts that geographical location of RRBs is not the limiting factor for their performance. He further finds that µit is the specific nourishment which each RRB receives from its sponsor bank, is cardinal to its performance. In other words, the umbilical cord had its effect on the performance of RRBs. The limitation of the study is that the financial health of the sponsor bank was not considered directly to infer about the umbilical cord hypothesis.

**Ramudu and Rao (2006)**<sup>72</sup> conducted a study on “A Fundamental Analysis of Indian Banking Industry”, they analyzing the performance of SBI, ICICI and HDFC and pointed that the financial institutions provide support to entrepreneurs for their innovative and imaginative scheme of activities aimed at skill development for income and employment generation in different sectors. It has been pointed out that one of the most important problems faced by the entrepreneurs is related with credit.

**Jha and Sarangi (2011)**<sup>73</sup> conducted a study on Performance of new generation banks using modern techniques to rate the banks.

They stressed the need to make certain adjustments in new generation banks and recommended entrepreneurial base industries should be strengthened by giving various incentives.

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<sup>71</sup> Malhotra (2002) ). *Performance of Financial Banks*. New Delhi.

<sup>72</sup> Janaki Ramudu, P. and Rao, S Durga (2006). *A Fundamental Analysis of Indian Banking Industry*. IJRM

<sup>73</sup> Jha, D.K. and Sarangi,D.S. (2011). *Performance of new generation banks using modern techniques to rate the banks*. IJRM

**Ansari, M.A. (2012)**<sup>74</sup> in his paper on “Role of Financial Institutions in the Development women Entrepreneurs” , pointed that the financial institutions provide support to women entrepreneurs for their innovative and imaginative scheme of activities aimed at skill development for income and employment generation in different sectors. There has been a substantial growth in women’s involvement in the economic activities all over the world over the past few decades. For this both the government and non-government agencies have to play a vital role. Despite the efforts of governmental and non-governmental organizations, the women entrepreneurs are facing many problems. One of the problems is lack of credit

**Bindiya (2001)**<sup>75</sup> undertook a study on women entrepreneurship in agriculture. She found that the Regional Rural Banks are playing an important role in various credit schemes for entrepreneurship development. Various financial institutions have special financial schemes for women entrepreneurship development. They provide loan opportunities to rural women entrepreneur for dairying, poultry, beekeeping, food processing and preservation, mushroom cultivation, spices process, potato chips, dalia and other cottage industries. It was also revealed that women operating a business may approach a local financial institution, most probably the local bank. She will come across many barriers between her needs and the bank’s requirements which make access to credit more difficult than she would have imagined. Women faced other obstacles while dealing with commercial banks.

It can be observed from the survey of literature that some authors have studies have focused on factors affecting the entrepreneurial growth. Some of them

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<sup>74</sup> Ansari, M.A. (2012). *Role of Financial Institutions in Development of Entrepreneurs*. IRJEE, Special issue, Vol.1.

<sup>75</sup> Bindya, B. (2001). *Women Entrepreneurship: Challenges and Achievements*. NISIET, p.121.

have studied the impact of government programmes and role of banks, promotional institution in the entrepreneurship development and offered their suggestions. However, no comprehensive study on the role of Commercial banks in financing and promoting the micro and small entrepreneurs in Hailakandi district has not been carried out and documented. In this present study, an attempt has been made to fill this gap.

**Objectives of the study:**

The following are the main objectives of the present study:

1. To study the role of entrepreneurs in industrialization of the study area.
2. To examine various types of assistance being offered by the banks to the entrepreneurs.
3. To study the profile of the sample entrepreneurs and to identify the factors influencing them in setting up the enterprises.
4. To assess the performance of the entrepreneurs in different years covered under the study.
5. To identify the major problems faced by the entrepreneurs and banks at the time of promoting enterprises.
6. To offer suggestions for improving the role of the banks for the healthy growth of entrepreneurs in the micro and small scale sector in the backward region.

**Hypotheses:**

The following hypotheses are framed keeping in mind the objectives of the study:

1. The financial assistance provided by the commercial banks in entrepreneurship development is not commensurate with the needs of the entrepreneurs.
2. The performance of the entrepreneurs is not dependent on financial assistance provided by the bank.
3. The performance of entrepreneurs in industrial unit depends upon their formal education.

**Methodology:**

The present study is based on both primary and secondary data. The primary data were collected with the help of well structured schedule prepared for the entrepreneurs and well structured questionnaires prepared for the bank officials of different commercial banks of Hailakandi District of Assam.

The secondary data were collected from the published reports collected from commercial banks, District Lead Bank, RBI, NABARD, NEDFI, SIDBI, SFCs, AFC, DI&CC, ETC, etc. Moreover information was also collected from different types of journals, newspapers, periodicals and websites.

**Population and Sample**

Hailakandi district is industrially backward. There are 541 micro and small entrepreneurs in the district as on 31.12.2008 (Statistical Hand Book 2009 pp 170).

The number of registered micro and small enterprises recorded in the DI&CC in different years since 2000-01 is shown in Table 1.2

Table 1.2

Registered SSIs under DICC

Year	Registered Entrepreneurs	No. of Employment
2000 – 2001	15	388
2001 – 2002	14	85
2002 – 2003	25	118
2003 – 2004	29	117
2004 – 2005	36	160
2005 – 2006	27	45
2006 – 2007	48	163
2007 – 2008	28	111
2008-2009	21	111
2009 – 2010	24	132
2010-2011	26	107

Source: District Industries & Commerce Centre, Hailakandi, 2010 and MSME, Silchar branch, 2012.

Due to small number of enterprises registered in each year, initially it was decided to conduct census survey. But at the time of pilot survey, it was revealed that some entrepreneurs were not available in the field. So the present study covers 148 samples out of 168 who have registered their names in the DI&CC during the period 2003 to 2008. The data were collected by administering schedule prepared keeping in mind the objectives of the study.

Again, there were seven nationalised commercial banks with thirteen branches functioning in Hailakandi district in 2008. The name of the commercial banks and the location of their branches are shown in Table 1.3

Table 1.3

Location of different Bank Branches in Hailakandi district in 2008

Name of the Bank	No. of Branches	Location of Branch Offices
Canara Bank	01	Govindapur.
Central Bank	01	Panchgram
PNB	01	Chibitabichia
SBI	03	Hailakandi, Monacherra and Matijuri.
UBI	04	Hailakandi, Lala, Lalacherra and Natunbazar.
UCO	01	Krishnapur
Union Bank	02	Katlicherra and Lotakandi

Source: Lead Bank, Hailakandi, 2009

The managers of all these 13 branches of commercial banks were interviewed by administering questionnaire prepared for the purpose of the study.

### **Analysis of the data**

The data collected were analyzed with the help of different statistical techniques like percentages, averages,  $x^2$  etc. The performance of the entrepreneurs was considered by taking different parameters like average yearly turnover, utilisation of installed capacity. By using Excel, diagrams and graphs were drawn in order to make data more vivid and attractive.

### **Scope of the study**

- 1) Upto the year 2008 only nationalised commercial banks provided loans under different schemes to the entrepreneurs. So AGVB, Assam Co-Operative Apex Bank Ltd. And Private sector banks were excluded from the present study. It



may be mentioned here that at present there are two private sector banks functioning in Hailakandi which were setup after 2008.

- 2) Only micro and small entrepreneurs who were registered during the period of 2003-2008 were included in the present study.
- 3) Many entrepreneurs are illiterate. They don't keep proper records. They reply different queries from their memories. So there is chance of errors.

### **Relevance of the Study**

The entrepreneurs are the backbone of any economy. Even the developed countries like Germany, USA, UK and Japan have realised the need to promote entrepreneurs for their economic development. In India, entrepreneurship development has been accepted as a strategy to achieve the twin objectives of promotion of entrepreneurship particularly among the educated unemployed and also for rapid industrialisation. India's five year plan has emphasized on the generation of self employment opportunities for solving unemployment or underemployment problems. In spite of implementation of different schemes from time to time and announcement of new schemes/programme, the success of the different programme was far from satisfactory. The present study highlights some of the lacuna of entrepreneurship development programme in the study area which will help the policy makers to make certain policies to ensure the success of the programme.

The study of the entrepreneurship has relevance today not only because it motivates the prospective entrepreneurs to start the venture in order to fulfill their personal needs but also promotes socio- economic development of the country.

The study will make an addition to the existing knowledge of the entrepreneurship and motivates the prospective researchers to take up studies on

the basis of certain issues of entrepreneurship development in micro or macro level. The knowledge of the academicians will also be enriched.

### **Limitations of the study**

1. Majority of the entrepreneurs did not maintain proper records of their production, turnover, income, savings etc. Hence, they replied many questions included in the schedule from their memories. Thus there are possibilities of errors in providing data or information,
2. The data regarding loans granted to the entrepreneurs were collected from the managers of the banks. In most of the cases, the detailed information of the entrepreneurs was not provided by the banks either because of the fact that these are not maintained properly or to keep the record confidential. Thus there is little scope of verification of data from the source itself. In certain cases the entrepreneur was not available and recognised by the neighbours in the address provided by the banks, Thus inclusion of some fake entrepreneurs in the list can not also be ruled out.

### **Chapter Planning**

**Chapter – 1: Introduction:** This chapter covers Statement of the Problem, Entrepreneur, Entrepreneurship, Micro and Small Enterprises, Essential features of Micro and Small Enterprises, Entrepreneurship Development of India, Entrepreneurship Development Programme, Objectives of Entrepreneurship Development Programme, Process of Entrepreneurship Development, Role of Banks and Financial Institutions, Profile of Banks, State Bank of India and its Subsidiaries, Nationalised Commercial Banks, Public Sector Banks, Review of Literature. It also

includes Objectives of the Study, Hypotheses, Methodology, Scope of the study, Relevance of the study, Limitations of the study and lay out of the study.

**Chapter – 2: Profile of the study area- Assam in general and Hailakandi district in particular:** This chapter provides an overview of the Assam in general and Hailakandi in particular. For the sake of the convenience the chapter is divided into two sections; section- 1, covers Location, Physical features, Area, Flora and Fauna, Climate and Rainfall, Religion and Culture, Population, Forests, Employment, Industry, Industrial production of some selected industries in Assam, Power, Road and Transport, Railways, Airports, Postal and Telephone facilities, Educational Institutions and **Section – 2:** Location, Administration, Flora and fauna, River, Climate and rainfall, Forests, Religion and Culture, Population, Literacy, Industrial structure of the Hailakandi district, Economy of Hailakandi, Infrastructure for Entrepreneurship Development, Industrial scenario, Handicrafts, Banks and financial institutions, Institutional for Entrepreneurship Development, District industries and commerce centre, Extension training centre, Sericulture and Resource of Entrepreneurship Development.

**Chapter – 3: Entrepreneurial support system with reference to Micro and small enterprises:** This chapter analyses the role of different financial institutions to support their assistance to the entrepreneurship development programmes.

**Chapter – 4: Social Profile of Entrepreneurs and their Performance:** This chapter emphasis on the different activities of the entrepreneurs.

**Chapter – 5: Problems of entrepreneurs and banks:** This chapter examines the different problems faced by the entrepreneurs and bankers.

**Chapter – 6: Summary of findings, Conclusion and Suggestions:** This chapter covers summary of the findings, conclusion of the entire research work and puts forward necessary suggestions.

**Bibliography,**

**Questionnaire for Entrepreneurs,**

**Questionnaire for Bankers,**