

## CHAPTER – 6

### SUMMARY OF FINDINGS, CONCLUSION AND SUGGESTIONS

Entrepreneurs play an important role in socio- economic transformation of a country which is characterized by scarcity of capital, chronic unemployment, inequality of income and wealth, large quantity of unexplored resources and regional imbalances. Research studies have established the fact that entrepreneurs are not born rather entrepreneurship can be cultivated when right kind of climate conducive for entrepreneurial growth emerges. In India, the Central and State Governments realised this and have given importance on creating self employment opportunities to the unemployed. The study focused the role played by the commercial banks in financing and promoting the micro and small entrepreneurs in Hailakandi district of Assam. It covered all nationalised commercial banks in the district. The entrepreneurship development of a country largely depends on how efficiently the funds are managed by its banks and other 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. Before nationalisation of 14 major commercial banks in 1969, the banks neglected the small entrepreneurs and provided loans to the big industrialists, corporate houses. The small entrepreneurs often borrowed money from money lenders at a high rate of interest. There was an apprehension from the side of institutional financial organisations that the small entrepreneurs would not generate adequate surpluses to repay the loans. Adequate finance and credit had, therefore, been a major problem of the entrepreneurs in the micro and small scale sector. The commercial banks, after nationalization,

have given importance for the expansion of branch network and have been playing a key role in the development and growth of industries in the country. In spite of this it is said that the direct lending by the financial institutions including commercial banks to small entrepreneurs is very limited and inadequate to meet the needs of the entrepreneurs. Hence, there is an acute need to take up this study on the financial and promotional role of commercial banks for the growth and development of micro and small entrepreneurs of the country.

From the review of literature it is revealed that no comprehensive study on the role of commercial banks in financing and promoting the micro and small entrepreneurs has been carried out and documented in the study area. The present study is made to fill up this gap with special reference to Hailakandi district of Assam.

**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, DI&CC, ETC. Moreover information was also collected from different types of journals, newspapers, periodicals and websites.

The present study covers 148 entrepreneurs 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 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,  $\chi^2$  etc. The performance of the entrepreneurs was considered by taking different parameters like average capacity of production yearly turnover, profit, 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 Assam Gramin Vikash Bank, 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.

**The whole study is divided into six chapters namely,**

Chapter 1: Introduction,

Chapter 2: Profile of study area- Assam in general and Hailakandi in particular,

Chapter 3: Entrepreneurial support system with reference to Micro and small enterprises,

Chapter 4: Social profile of entrepreneurs and their performance,

Chapter 5: Problems of entrepreneurs and banks and

Chapter 6: Summary of findings, conclusion and suggestions.

**Objective wise summary:**

Hailakandi district is industrially backward. There is little scope of employment opportunities in the public sector in the district. In order to provide self employment opportunities the Government of India has chalked out different programmes from time to time. For example, PMRY, PMEGP are the programmes by which Government planned to increase self employment opportunities in the district. There is vast scope for development of micro and small scale industries in the district on the basis of local resources. Agriculture is the main source of income of the majority of the people. The important agricultural products include paddy, maize, wheat, sugarcane, cotton etc. On the basis of these resources some agro based industries rice mill, jute products, bamboo mats etc. can be established. Through cluster development Government is trying to promote Sital Pati (cool mat) industry. Banks have also come forward to assist the artisans .There is scope of development of service sector especially in computer education and net working and hardware engineering, beauty parlor, electronic shop etc.

The study has revealed that banks provided financial assistance to the entrepreneurs for initiating and developing different micro and small enterprises in the various sectors viz piggery, fishery, poultry and goatery, weaving, knitting, tailoring, electronics repairing, steel fabrication, jute products, bamboo mat and incense sticks, ventilator industry, brick industry, wood furniture, vehicle workshop, institute, zerox, hotel / restaurant, beauty parlor, electrical store etc..

By analysing primary data collected from the entrepreneurs, the following findings have been emerged out:

- i.** The total number of sample entrepreneurs for the study was 148 out of which 114 representing 77.02 percent are male and remaining 34 representing 22.98 percent are female.
- ii.** The age group wise distribution of sample entrepreneurs reveals that 30 entrepreneurs belong to the age group of less than 35 years, 72 entrepreneurs belong to the age group of 36-45 years and the rest above 46 years.
- iii.** The study brought to light that out of 114 males, 102 were married and 12 were unmarried and out of 34 female, 24 were married and 10 unmarried.
- iv.** Out of 148 entrepreneurs covered under the study, 75 entrepreneurs are Hindu, 64 Islam and only 09 Christian.
- v.** The mother tongue of majority entrepreneurs Bengali i.e. 122 followed by 18 Hindi and 4 each Manipuri and Bishnupriya Manipuri.

- vi.** The class wise classification reveals that there are 100 General, 21 OBC, 16 Scheduled Caste and 11 Scheduled Tribe sample entrepreneurs included in our study.
- vii.** In regard to general educational qualification, 37 of the total is below matriculate, 48 Matriculate, 32 Higher secondary and 31 entrepreneurs having Graduate and above.
- viii.** The study revealed that with increase in educational level the entrepreneurs moves from sole proprietorship to partnership business. Thus all entrepreneurs with lesser educational level- under metric and matriculation- restricted their business to sole proprietorship/ family business .Entrepreneurs with higher educational level in higher percentage go towards forming partnership business, Thus the entrepreneurs upto matriculation level restricted their business on sole proprietorship based enterprises, 56.10 percent of H.S. passed and 69.94 percent of graduate and above passed entrepreneurs formed partnership business.
- ix.** No trend has emerged regarding the relationship between educational levels and marketing area. The share of the entrepreneurs with educational level under metric in the local market is 81.08 percent, but for matriculates, it is 100 percent. 53.66 percent entrepreneurs with higher secondary qualification, 44.45 percent of graduate and above qualified entrepreneurs have widened their market to state or national level.
- x.** The majority of the entrepreneurs in a particular area of business come from the same area in which their family members were accustomed.

Thus the family background of 35 out of 70 entrepreneurs doing business in agriculture and allied sector remains the same i.e. agriculture and allied sector. This is also true for the majority of entrepreneurs in industrial sector and in trade and service sector. But many entrepreneurs started their business in a sector which is different from their family business/ occupation. Thus, it can be safely stated that family background does not hold much importance in the selection of entrepreneurial units by the entrepreneurs.

- xi.** Among different motivating factors for taking entrepreneurship as a business / profession need for financial independence ranked first followed by to solve the unemployment problem. Desire to achieve something was ranked third, influence from others success ranked fourth followed by influence from EDP; desire to get social status and availability of subsidy respectively. Thus, the analysis of the above table makes it clear that among various factors which motivated the entrepreneurs under the study, need for financial independence was the main motive of most of entrepreneurs to take up entrepreneurship as the means of employment.
- xii.** The reason for choice of fifty five entrepreneurs present line of business is high profit margin, 43 entrepreneur's previous experience in present line of business .19 selected present line due to the technical knowledge, choice of 18 is their perception easy to start. 13 did not attend the answer of this particular question.



### **Performance of the entrepreneurs in different years**

- xiii.** The survey has revealed that the total production of the enterprises within a period of five years was Rs.6, 83, 06,000. The production of the enterprises is showing a mixed trend i.e. increased in the second year as compared to the first year, decreased gradually in third, fourth and marginally increased in the fifth year.
- xiv.** In regard to usage of machines of the enterprises reveals that the machine used is gradually increased each year i.e. first year 8, second year 11, third year 14, fourth year 16 and fifth year 18.
- xv.** The survey has revealed that the total employee of the enterprises within a period of five years was 139. The growth of employees of the enterprises is showing a mixed trend, The number of employees increased in the second year as compared to the first year, it remained stagnant in the third year and decreased gradually in fourth and fifth year.
- xvi.** The study clearly showed that the total turnover within a period of five years by the enterprises was Rs.9, 35, 58,250. The turnover increased in the second year as compared to the first year but it is decreasing from the third year to five year.
- xvii.** In respect to average profit within five years, average profit has marginally decreased in second year with compared to first year but increased in third year and gradually decreased in the fourth and fifth year.
- xviii.** In regard to profits earned by the entrepreneurs from their entrepreneurial activities within a period of five years, the total profit

generated by the entrepreneurs was maximum in the third year. Except that year there is a decreasing trend of profit

There are various problems faced by the entrepreneurs in running their enterprises. These are shortage of raw materials, marketing, transportation, financial, labour problem, power, heavy completion in the market, etc. The different factors which create the problem of regular supply of raw materials due to transportation, strikes/ bundh, and natural havoc. In regards of the marketing problems 38 entrepreneurs did not know how to market their products, 31 entrepreneurs faced heavy competition from big enterprises, 29 entrepreneurs stated that they were exploited by middlemen and find difficulty in collection of dues from the credit sales, 27 of them were facing the problem of inadequate sales promotion avenues and 23 stated that they did not get any export marketing support

The study revealed that the shortage of skilled labourer in the study area is another problem generally faced by the entrepreneurs engaged in industry, trade and service sector. Some times when need arises, they generally have to hire skilled workers from outside the district with higher rate of wages.

- xx. In order to study the gap between of the amount requested by the entrepreneurs and granted by the banks, it is revealed that as much as 24.14 percent of the entrepreneurs received the full amount of loan as requested by them. Further, as 41.38 percent of the entrepreneurs had been sanctioned loans ranging from 75 to 99 percent, while 22.99

percent of the entrepreneurs had been sanctioned loans ranging from 50 to 75 percent of the amount they applied for. Only 11.49 percent of the entrepreneurs had sanctioned less than 50 percent of the loans applied for.

- xxi.** The study has revealed that the commercial banks sanctioned loans to 31 entrepreneurs against their land document, 22 against educational certificate, 19 mortgaged LIC certificate and 15 did not mention the name of mortgaged items against their loan.
- xxii.** In the matter of time lag for sanctioning and disbursing loan 36.78 percent have stated normal, 34.48 percent considered it to be moderately lengthy and 28.74 percent reported that the time lag was too lengthy.
- xxiii.** The study revealed that 20 entrepreneurs have reported very good, 24 have reported the service rendered by commercial bank was good, 26 have reported average and 17 of the entrepreneurs have rated it as bad.
- xxiv.** The survey revealed that not a single Entrepreneurship Development Programme was conducted by the commercial banks for the benefit of entrepreneurs.
- xxv.** Due to the low qualifications majority of the entrepreneurs i.e., 64 out of 148 entrepreneurs faced problems in dealing with Government, 52 faced problems in dealing with customer and 32 with the Government bank officials.

**xxvi.** In the matter of repayment period of loan, a majority of the entrepreneurs i.e. 45 felt that repayment period allowed by the banks was sufficient while the remaining 42 opined that the period was insufficient.

**xxvii.** As regards to the rate of interest 36 entrepreneurs opined that rate of interest was moderately high, 34 stated that normal and 17 interest too high.

**xxix.** As regards to the recovery procedure of the study area, 56.32 percent of the entrepreneurs opined that the recovery procedure is strict and 43.68 percent of the entrepreneurs opined that it is liberal.

**xxxi.** There was the shortage of bank staff in all banks as reported by the bank employees.

**xxxii.** It appears from the study that, banks could collect not more than 5 percent of their loan granted to the entrepreneurs before 2005 – 06. However, after taking a different measures loan recovery percentage has increased significantly.

### **Test of Hypotheses**

While planning the study, a set of hypotheses have been formulated based on the various aspects of entrepreneurship. These hypotheses have been tested by applying logic based on availability of data and also by using test of significance.

**Hypotheses 1:** The financial assistance provided by the commercial banks in entrepreneurship development is not commensurate with the needs of the entrepreneurs.

Out of 87 entrepreneurs who have borrowed loan from bank, only 21 entrepreneurs have received full amount of their requirement, 36 received 75 - 99 percent, 20 received 50 – 75 percent and 10 entrepreneurs received less than 50 percent. Thus the majority of the entrepreneurs have not received their loan as per their requirement.

**Hypotheses 2:** The performance of the entrepreneurs is not dependent on financial assistance provided by the bank.

In order to test the hypothesis, the entrepreneurs were divided into two groups,

1. Those who have borrowed loan from the banks and
2. Those who have not borrowed loan from the bank.

We set the null hypothesis as

**H<sub>0</sub>:** The performance of the entrepreneurs is independent to the financial assistance provided by the bank.

**H<sub>1</sub>:** The performance of the entrepreneurs is dependent to the financial assistance provided by the bank

The entrepreneurs were asked to rate their performance as High or Moderate or Low. By using  $\chi^2$  test at 5 percent level of significance, the null hypothesis was rejected.

**Hypotheses 3:** The performance of entrepreneurs in industrial unit depends upon their formal education.

Level of education is divided into three groups,

- i. Higher education,

- ii. Higher secondary and
- iii. Secondary or below.

The entrepreneurs were asked to rate their performance as High or Moderate or Low.

We set,

**H<sub>0</sub>:** The performance of entrepreneurs in industrial unit and their formal education is independent.

**H<sub>1</sub>:** The performance of entrepreneurs in industrial unit and their formal education is not independent

By using  $\chi^2$  test , it was seen that the calculated value of  $\chi^2$  (=15.35 ) was higher than that of the table value of  $\chi^2$  at 5 percent level of significance at 4 d.f (= 9.49). Thus the null hypothesis was rejected. In other words, we accept alternative hypothesis i.e. performance of the entrepreneurs depends upon their formal education.

## CONCLUSION

Inline it may be concluded that commercial banks have played an important role in providing financial resources to the entrepreneurs in the study area. But providing finance to the micro and small entrepreneurs does not ensure success of the enterprise. They should join hands with other financial institutions to conduct entrepreneurship development programmes, provide technical support and guide the entrepreneurs in building their small empires in the right direction and lead them in right perspective. But the blame of lapses cannot be out rightly shouldered on commercial banks alone. The recipient entrepreneurs have equal responsibility not

only in availing timely finance but also in paying it in time. Actually the amount of Non Performing Asset (NPA) of the commercial banks in North Eastern Region is very high. This is also perhaps one of the reasons for low credit- deposit ratio in this region. Basically, the mind-set of the entrepreneurs has to be changed. On the one hand, bank should come forward to help the entrepreneurs and on the other hand, the entrepreneurs themselves have to realize their role and co-operate with banks in strengthening the system.

## **SUGGESTIONS**

On the basis of observations made in the study, certain suggestions have been offered to strengthen the role of commercial banks in financing and promoting small entrepreneurs of Assam in general and Hailakandi in particular. These suggestions are:

- i. The bank managers should select those entrepreneurs for financial assistance who are trained under the Entrepreneurship Development Programmes conducted by the District Industries & Commerce Center, Branch office of Micro, Small and Medium Enterprise or any other programme approved by the Government or Non- Government Organisations.
- ii. The bank should carry out special evaluative studies periodically to ascertain whether the loans sanctioned to the entrepreneurs were properly utilised as per the guidelines issued by the Government/ bank.
- iii. The performance of entrepreneurs may be published in a booklet or bulletin every year.

- iv. The bank should organize / arrange the Entrepreneurship Development Programme for the development of entrepreneurs.
- v. The bank should organize the seminar, trade fair, exhibition, mela etc for promoting the entrepreneurs.
- vi. Some successful entrepreneurs should be selected every year for their innovative / creative works and they should be honoured with cash prizes in the public meeting.
- vii. The bank should adopt a policy to open a separate cell in each branch for entrepreneurship development.
- viii. The number of employees of each branch of the bank must be in proportion to the number of population and area it is serving so that work of entrepreneurship development and other priority sector is not delayed.
- ix. The bank officials should organise awareness programmes on different issues of the schemes before sanctioning loans so that the prospective entrepreneurs can clarify their doubts on any issue related to the scheme from the experts and take appropriate decisions..
- x. The sanctioned amount should be released to the entrepreneurs as early as possible.
- xi. The bank should provide adequate amount of loans to the entrepreneurs at the time of setting their enterprises. They should encourage the entrepreneurs by providing easy credit and technical consultancy at the time of expansion of the existing units, installation of new machinery, modernisation, to take over a sick unit etc.