



A study on role of commercial banks in promoting rural entrepreneurship– An entrepreneur perspective

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Abstract

Current trend of Indian economy is favorable towards the development of entrepreneurship in both rural and urban, especially government focused on generating rural employment and economic development through entrepreneurial development programs. In this context government has been initiating number of programs and policies like make in India, startup India, standup India etc. The present study aimed to measure the entrepreneurs' perception towards the role of commercial banks in promoting rural entrepreneurship. 60 entrepreneurs from Nalgonda district are taken as a sample for the study. It is descriptive study in nature. It is based on secondary and primary data sources. 60 rural entrepreneurs were examined with structured questionnaire; it consists of likert 5-point rating metric. The convenience non-random sampling technique was adopted to collect responses. Descriptive statistics and one sample t-test techniques were applied to analyze the data. Many of financial instruments of commercial banks are not doing well, entrepreneurs could not be getting it properly and also application process & sanction mechanism are found difficult to them. Therefore commercial banks have to take up an aggressive awareness programs on financial instruments and banking processes. Finally what it concludes is entrepreneur perception, accessibility, process difficult is moderate, banks have to improve it and also various financial services provided by commercial banks are below average in their performance, it has to be improve.

Keywords: rural entrepreneur, commercial banks, entrepreneurs' perception

Introduction

Entrepreneurship development is the key to economic development of a country. There is growing realization about potential contribution of small enterprises in both developed and developing countries. Healthy small business sector is rightly considered the backbone of any developed economy.

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. A large number of factors were responsible for the slow growth of entrepreneurship.

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. 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 (NISJET) 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. 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.

The rural entrepreneurships such as weaving, pottery, metal working, petty shops, tailoring, tea shops, Tiffin centre, Bedi rolling, Street vending, (sale of Vegetables, entrepreneur oriented fancy items, Salt, Paappad, Plastic, Aluminum and silver items, Children oriented snacks, Fish, Dry fish, Collection of old plastics, steel items, old newspapers & bottles, Milk items (Curd, Buttermilk, Ghee) and other seasonal products such as ice, fruits, butter milk etc., There was an automatic creation of this environment particularly in rural areas where an appropriate integration of various ongoing self-employment generation programmes was required. There are different types of entrepreneurs in rural areas with a very meager investment. This helps them to have a regular and satisfied living with a small profit to manage the families on their own. Every village has different type of entrepreneurs and these entrepreneurs. The current study focuses on the rural entrepreneurs and their perception on commercial banks' performance in promoting rural entrepreneurship. The study is confined to one district only i.e. Nalgonda of Telangana dist.

Review of literature

Ruddar Datt and Sundharam. K.P.M, (2003) said that considering the vital role of small industries within the Indian Industrial Economy, the total amount of loans granted to small industry forms a very small part of the total loans of Indian industry. In March 1994, as against a total advance of Rs. 80,492 crores to all industries from commercial banks, small industries received Rs. 22, 620 crores that is 28.1 percentages. Sivasankar. P.R, and Ekambaram. K,(2005) concluded that commercial banks continue to play an important role in financing small scale

industrial sectors. The growth rate of bank credit has been low as compared to the growth rate of production from small scale industrial sector.

Krishna Kant,(2005) suggested that credit flow to small units gets a Boost Bank of India and SIDBI signed to boost credit flow to the Small Medium Entrepreneur sector. The Bank will leverage the term loan assessment skills of SIDBI in meeting the requirements of the Small Medium Entrepreneur sector. Parimalam. M. (2006), concluded that commercial banks performance towards small-scale industries in Erode district is not satisfactory. They are confronted with so many problems. If they are expected to play the role assigned to them effectively, right type of climate and effective solutions of the problems has to be provided.

Nicola Mecchari, and Gianluigi Pelloni (2016) ^[9] presents and analyses the results emerging from a questionnaire submitted to a sample of 123 rural entrepreneurs and business in a mountainous area of central Italy. In particular, they test for six hypotheses concerning the correlation between different factors, reflecting entrepreneur and business specific characteristics, and the adoption of instruments of institutional assistance. Their study also examines and proposes potential policies for fostering entrepreneurship and the development of the rural region under study.

Sindhu Vijayakumar (2017), noted that commercial banks sanction loans to industries but their focus is generally on large — scale units. They hesitate to provide large funds to small — scale units because of two reasons. First, small — scale units generally need small amount of finance. Second credit worthiness of small — scale entrepreneurs is doubtful. So small scale entrepreneurs especially women entrepreneurs, largely depend on financial institutions other than commercial banks.

Galina Khokhlova *et al* (2019)the authors prove the necessity of financial stimulation of entrepreneurial activity in the sphere of formation of investment resources at the expense of credit. The causes of critical risk in the conditions of market volatility and socio-political instability are determined. The process of credit risk management at the stage of credit issuance is considered. The possibilities of using different models of risk assessment in order to make a decision on the issuance of credit resources of investment nature for small business.

Dharmapal, Preethika, and U. Kavya (2020), study reveals that the poor repay their loans and are willing to pay for higher interest rates than commercial banks provided that access to credit is provided. The solidarity group pressure and sequential lending provide strong repayment motivation and produce extremely low default rates. Secondly, the poor save and hence microfinance should provide both savings and loan facilities. These two findings imply that banking on the poor can be a profitable business. However, attaining financial viability and sustainability is the major institutional challenge. Deposit mobilization is the major means for microfinance institutions to expand outreach by leveraging equity.

Islam, M. R., Rashid, M. A., & Nuruzzaman, M. (2021), the study has randomly selected 50 percent of the commercial banks out of 30 DSE listed commercial banks in Bangladesh. The study has found that banking corporations are engaged in SCE, though their performances on that are increasing in absolute terms (over the year), not in relative

terms (over general investment). Moreover, financial performance remains constant for banks that are engaged exceptionally in SCE. Hence, the findings somewhat support the CSV notion to explain the current practices of SCE.

Dr. H. Kavitha, Dr. R. Gopinath (2022), the study's goal was to look into the impact of service quality on customer satisfaction and word-of-mouth. The goal of this study is to look into the impact of service quality on customer satisfaction and word-of-mouth in the Trichy area: Small Scale Industries and Their Banks. The study's target respondents were all entrepreneurs in Trichy's small-scale industries. To collect data, face-to-face interviews with structured questionnaires were undertaken. The study's findings provide substantial support for the theory.

Fostering entrepreneurship is a crucial factor in energizing the rural economy in impoverished rural regions because entrepreneurship creates wealth and employment and has a profound impact on the quality of livelihood of rural people. Rural entrepreneurship conjures different meanings to different people. Rural entrepreneurship is defined as: Establishing industrial units in the rural areas of the country is rural entrepreneurship

Objectives

1. To analyze the rural entrepreneurs' perception towards the role of commercial banks in promoting of rural entrepreneurship at select district of Telangana.
2. To offer suggestions for improving the role of commercial banks for the healthy growth of rural entrepreneurs in the micro, small and medium scale entrepreneurs in the select district of Telangana.

Hypotheses

Hypothesis-1

Null Hypothesis: There is no significant level of rural entrepreneurs' perception towards the role commercial banks in promoting of rural entrepreneurship at Nalgonda district of Telangana State.

Alternative Hypothesis: There is a significant level of rural entrepreneurs' perception towards the role commercial banks in promoting of rural entrepreneurship at Nalgonda district of Telangana State.

Hypothesis-2

Null Hypothesis: There is no significant level of rural entrepreneurs' perception towards the various financial services offered by commercial banks in promoting of rural entrepreneurship at Nalgonda district of Telangana State.

Alternative Hypothesis: There is a significant level of rural entrepreneurs' perception towards the various financial services offered by commercial banks in promoting of rural entrepreneurship at Nalgonda district of Telangana State.

Research methodology

It is descriptive research in nature. The population of the study is defined as the total number of rural entrepreneurs in Nalgonda Dist. The nature of population is known population and well defined population. Below are the other elements of research methodology.

- a. Size of Population: 550Rural Entrepreneurs (As per MSME records - 2021.)

- b. Sampling Selection Technique: A convenient non-random sample technique is applied for carryout the current research. It is defined as a non-probability sampling method in which researchers create a sample involving individuals that represent a population. Researchers choose these individuals according to availability, proximity and nearness.
- c. A sample Size Determination method is Cochran sample size determination technique. As per the Cochran sample determination method, sample of 60 entrepreneurs are sufficient to carry out the current research.
- d. Sample Size: Rural Entrepreneurs are taken for the study of rural entrepreneurs’ perception on commercial bank with regards to their role in promoting rural entrepreneurship, among 60 rural entrepreneurs will be taken into the research. Location
- e. Nalgonda District of Telangana States.
- f. Data Collection Method: Structured Questionnaire & Personal Contact to measure the perception of

- entrepreneurs towards the role of commercial bank in promoting rural entrepreneurship. Moreover information was also collected from different types of journals, books and other publication sources.
- Measuring Scale
- g. Normative scale questions and Likert Scales (5-point rating scale)
- h. Statistical Techniques: Frequencies, descriptive statistics and One Sample- T Test
- i. Data Analysis Techniques: SPSS Software (21v) for primary data analysis to measure the perception of rural entrepreneurs.

Data analysis and interpretation

This part of article discuss on data analysis and interpretation. It is presented into two parts one is frequencies analysis and second one is hypotheses testing.

A. Analysis of frequencies
1. Frequencies gender

Table 1: Gender frequencies

		Frequency	Percent	Valid percent	cumulative percent
Valid	Male	45	75.0	75.0	75.0
	Female	15	25.0	25.0	100.0
	Total	60	100.0	100.0	

From the above table-5.1, it shows the classification of respondents as per their gender. The female entrepreneurs are 15 members and the male entrepreneurs are 45 members in the given sample of 60. The male entrepreneurs are

higher than the female entrepreneurs that are 75% is occupied by them only.

2. Frequencies Age

Table 2: Age frequencies

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 30 Years	13	21.7	21.7	21.7
	31-40 Years	15	25.0	25.0	46.7
	41 - 50 Years	20	33.3	33.3	80.0
	Above 50 Years	12	20.0	20.0	100.0
	Total	60	100.0	100.0	

From the table-5.2, it displayed that the classification of respondents as per their age category. The 41-50 years entrepreneurs are 20 members, 31-40 years age entrepreneurs are 15, below 30 years age are 13 members and above 50 years are 12 members in the given sample of

60. The 41 – 50 years aged entrepreneurs are higher than the other aged entrepreneurs that are 33.3% is occupied by them only.

3. Frequencies Sector

Table 3: Sector related frequencies

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Service Sector	30	50.0	50.0	50.0
	Industrial Sector	30	50.0	50.0	100.0
	Total	60	100.0	100.0	

The above table-5.3 exhibits frequencies relating to sector. It is presented data as per the sector wise entrepreneurs in the sample. There are two sectors are taken in the study that

are 1. Service sector and 2. Industrial sector. These two sectors are equally taken in the sample. Both sectors are having 30 entrepreneurs each.

4. Frequencies Scale of Operation

Table 4: Scale of operations –frequencies

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Micro Scale Company	18	30.0	30.0	30.0
	Small Scale Company	16	26.7	26.7	56.7
	Medium Scale Company	26	43.3	43.3	100.0
	Total	60	100.0	100.0	

Table-5.4 reveals the scale of operations of companies relating to sample respondents. Out of 60 samples, the micro scale companies is 30%, the small scale companies is 26.7%

and the medium scale companies is 43%. The maximum percentages of companies are from medium scale of operations with 43.3%.

5. Frequencies Company Age

Table 5: Company age – frequencies

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1 Year	9	15.0	15.0	15.0
	2 Years	12	20.0	20.0	35.0
	3 Years	13	21.7	21.7	56.7
	4 Years	12	20.0	20.0	76.7
	5& Above	14	23.3	23.3	100.0
	Total	60	100.0	100.0	

The above table-5.5 shows the frequency statistics of company’s age. Out of 60 samples, 1-year aged companies are 9, 2 years aged companies are 12, 3 years aged companies are 13, 4 years aged companies are 12 and finally

5 years & above companies are 14. Almost all the categories are equally presented in the given sample.

6. Frequencies Turnover

Table 6: Frequencies – Turnover

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 25L	13	21.7	21.7	21.7
	25L - 50L	16	26.7	26.7	48.3
	50L - 75L	14	23.3	23.3	71.7
	Above 75L	17	28.3	28.3	100.0
	Total	60	100.0	100.0	

From the above table - 5.6 shows frequencies relating to sample entrepreneurs’ companies turnover. Out of 60 companies, the below 25 lakh turnover companies are 13, 25L - 50L turnover companies are 16, 50L - 75L turnover companies are 14 and above 75L turnover companies are

17. The maximum numbers of companies are having more above 75 lakhs in sample.

7. Frequencies – Funding Stage

Table 7: frequencies – funding stage

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Startup Funding	34	56.7	56.7	56.7
	Growth Funding	26	43.3	43.3	100.0
	Total	60	100.0	100.0	

The above table-5.7 presents data relating to life stage of the companies. There are two important stages are taken for the study that are namely 1. Startup funding and 2. Growth funding. Out of 60 companies, 34 companies are at startup funding stage and 26 companies are growth funding stage. The maximum number of companies falls under startup stage.

b. Hypotheses testing

8. Hypothesis-1

Null Hypothesis: There is no significant level of rural entrepreneurs’ perception towards the role commercial banks in promoting of rural entrepreneurship at Nalgonda district of Telangana State.

Table 8: One-Sample Statistics of Entrepreneurs’ Perception

	N	Mean	Std. Deviation	Std. Error Mean
Perception Of Entrepreneurs	60	3.97	1.402	.181

The above table shows descriptive statistics of one sample t-test applied on entrepreneurs’ perception. The mean value is

3.97, it is above average. The standard deviation is 1.402.

Table 8.1: One-Sample Test of Entrepreneurs’ Perception

	Test Value = 3					
	t	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Perception OF Entrepreneurs	3.284	59	.004	.97	.40	.33

From the above table-5.8.2, the one sample t-test statistics are t value is 3.284, sig value is 0.004 and mean difference is 0.97. The calculated significant value is lesser than p=0.05, hence null hypothesis is rejected and alternative

hypothesis is accepted. Therefore there is a significant level of rural entrepreneurs’ positive perception shown towards the role commercial banks in promoting of rural entrepreneurship at Nalgonda district of Telangana State.

Table 8.1: one-sample statistics of accessibility and difficulty

	N	Mean	Std. Deviation	Std. Error Mean
Accessibility	60	3.43	1.345	.174
Process Difficulty	60	3.58	1.600	.207

The above table shows descriptive statistics of one sample t-test applied on entrepreneurs’ perception towards accessibility and process difficulty of commercial banks.

The mean value is 3.43 and 3.58, it is above average. The standard deviations are 1.345 and 1.600 respectively.

Table 8.2: One-Sample Test of Accessibility and Difficulty

	Test Value = 3					
	T	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Accessibility	2.496	59	.015	.433	.09	.78
Process Difficulty	2.988	59	.007	.583	.23	.60

From the above table-5.8.3, the one sample t-test statistics are t value of accessibility is 2.496 and process difficulty is 2.988, sig values are respectively 0.015 and 0.007 and mean differences are 0.433 and 0.583. The calculated significant value is lesser than $p=0.05$, hence null hypothesis is rejected and alternative hypothesis is accepted. Therefore there is a significant level of rural entrepreneurs’ positive perception shown towards the accessibility and process difficulty of

commercial banks in promoting of rural entrepreneurship at Nalgonda district of Telangana State.

9. Hypothesis-2

Null Hypothesis: There is no significant level of rural entrepreneurs’ perception towards the financial services offered by commercial banks in promoting of rural entrepreneurship at Nalgonda district of Telangana State.

Table 9.1: One-Sample Statistics of various financial services

	N	Mean	Std. Deviation	Std. Error Mean
Overdraft	60	2.63	1.390	.179
Cash credit	60	3.05	1.501	.194
Short-term loans	60	2.95	1.333	.172
Long-term loans	60	2.98	1.432	.185
Asset-based financing	60	2.92	1.465	.189
Credit card	60	2.88	1.541	.199
Letter of credit	60	3.28	1.462	.189
Bank guarantee	60	2.98	1.269	.164
Current account	60	2.87	1.308	.169
Saving account	60	2.98	1.347	.174
Remittance	60	2.95	1.333	.172

From the above table-5.9.1 shows descriptive statistics of one sample test relating to various financial services offered by commercial banks. The mean values of various financial services offered by commercial banks are respectively OVERDRAFT with 2.63 mean, CASH CREDIT with 3.05 mean, SHORT-TERM LOANS with 2.95 mean, LONG-TERM LOANS with 2.98 mean, ASSET-BASED

FINANCING with 2.92 mean, CREDIT CARD with 2.88 mean, LETTER OF CREDIT with 3.28 mean, BANK GUARANTEE with 2.98 mean, CURRENT ACCOUNT with 2.87 mean, SAVING ACCOUNT with 2.98 mean, REMITTANCE with 2.95 mean. Almost all the services are equal to 3 mean; it means the services offered by commercial banks are moderate in their performance.

Table 9.2: One-Sample Test of various financial services

	Test Value = 3					
	T	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Overdraft	-2.044	59	.045	-.367	-.73	-.01
Cash credit	.258	59	.797	.050	-.34	.44
Short-term loans	-.291	59	.772	-.050	-.39	.29
Long-term loans	-.090	59	.928	-.017	-.39	.35
Asset-based financing	-.441	59	.661	-.083	-.46	.30
Credit card	-.586	59	.560	-.117	-.51	.28
Letter of credit	1.501	59	.039	.283	.09	.66
Bank guarantee	-.102	59	.919	-.017	-.34	.31
Current account	-.790	59	.433	-.133	-.47	.20
Saving account	-.096	59	.924	-.017	-.36	.33
Remittance	-.291	59	.772	-.050	-.39	.29

From the above table-5.9.2 shows, one sample t-test statistics of various financial services offered by commercial banks. The overdraft facility and letter of credit facilities are shown significance. These two services significant values are lesser than $P=0.05$, the remaining services are not having statistical significance.

Results and discussion

The present study is based on primary and secondary data. However, some important lessons can be drawn from the perception of entrepreneur towards role of commercial bank. The total 60 number of rural entrepreneurs from Nalgonda of Telangana dist. These rural entrepreneurs running their own companies and these are at startup funding stage and growth funding stage. The financial support is important thing for rural entrepreneurs. Many of startups are getting shortage of financial resource and become insolvency in addressing day to day operations. In this context, the role of commercial bank is highly required to solve the major problems of rural entrepreneurs. The current study focused on the role of commercial bank and their performance towards rural entrepreneur development and support. It is analyzed through the study on entrepreneurial perception. From the frequencies, male rural entrepreneurs are higher than the female, between 41 – 50 years aged entrepreneurs are higher in sample, majority startups fall under 75L turnover annually, maximum number of companies in the sample is 5 years and above aged are presented, rural entrepreneurs are looking for startup funding. The findings from hypotheses testing are followed as there is a significant level of rural entrepreneurs' positive perception shown towards the role commercial banks in promoting of rural entrepreneurship, also there is a significant level of rural entrepreneurs' positive perception shown towards the accessibility and process difficulty of commercial banks in promoting of rural entrepreneurship at Nalgonda district of Telangana State and the overdraft facility and letter of credit facilities are shown significance. Other financial service namely Overdraft, Cash Credit, Short-Term Loans, Long-Term Loans, Asset-Based Financing, Credit Card, Letter Of Credit, Bank Guarantee, Current Account, Saving Account and Remittance not having statistical significance. The perception level of entrepreneurs towards commercial bank is moderate. It is suggested to banks for make better in their performance especially, accessibility and process difficulty being faced by rural entrepreneurs. It is suggested to simplify their business process and make essay in bank services accessible & process user friendly. Many of financial instruments of commercial banks are not doing well, entrepreneurs could not getting it properly and also application process and sanction mechanism found difficult to them. Therefore commercial banks have to take up an aggressive awareness programs on financial instruments and banking processes. Finally what it concludes is entrepreneur perception, accessibility, process difficult is moderate, banks have to improve it and also various financial services provided by commercial banks are below average in their performance, it has to be improve. Anyway the commercial banks are presenting a prominent and superior role in the development of rural entrepreneurs, their services are highly appreciated.

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