

ENTREPRENEURSHIP: CHALLENGES, ISSUES & PRACTISES

(A case study on Kumaun region)

Anshu Chauhan.

Assistant Professor,

faculty of master's in business administration,

Surajmal private kanya mahavidya, udhamsingh nagar, India

(anshuchauhan1411@gmail.com)

ABSTRACT

The research paper examines the recent evidence and systematically verify the role of entrepreneurship in economic development. This view provide the answer to question like (i)contribution of entrepreneurs to the economy .(ii)what would be the relevant variable through which we can measure the economic growth.(iii)what kind of financial help provided by government .hence we got the answers in contribution of (i)employment (ii)innovation(iii)small and micro scale finance .

The research study is done on kumaun region based on sample questionnaire, that has concluded that 87% of development in kumaun region is due to entrepreneurs development. They bring about relatively much employment creation, productivity growth and produce and commercialize high quality innovations. They are more satisfied than employees. More importantly, recent studies show that entrepreneurial firms produce important spillovers that affect regional employment growth rates of all companies in the region in the long run. However, the counterparts cannot be missed both as they account for a relatively high value of GDP, a less unstable and more sheltered work market, higher paid jobs and a larger number of innovations and they have a more active role in the acceptance of innovations.

Key words :-economic development , entrepreneurship, self-employment, productivity,

INTRODUCTION

Excepted academic studies on entrepreneurship are forced by the economic benefits of entrepreneurship. The majority studies refer to one or two academic studies showing that entrepreneurship really leads to considerable benefits in terms of instance employment generation.

However, whether the cite reference was one of the few out of a lot of studies that 'happened' to find supportive evidence is not yet clear. This paper examines to what extent recent empirical evidence can collectively and systematically substantiate this claim. Entrepreneurs and their counterparts are defined and compared in terms of their contribution to the creation of economic value. Hence, the aim is to review recent empirical literature that provides an(statistically supported) answer to the following question: What is the economic value of entrepreneurs in comparison to their counterparts, i.e. non-entrepreneurs? Based on empirical studies into this subject, we arrive at four measures to quantify the economic value of entrepreneurs. Hence, we answer the following particular questions: What is the contribution of entrepreneurs to (i) employment generation and dynamics, (ii) innovation, and (iii) productivity and growth, relative to the contributions of the entrepreneurs' counterparts, i.e. the 'control group'? A fourth type of contribution that we study is the role of entrepreneurship in increasing individuals' utility levels. Surprisingly, given the relevance of showing the relationship between entrepreneurship and economic outcomes, this paper is the first review of the (primary) empirical literature in this area. More precisely, it is the first review of high quality economics and management studies, focusing on various types of contributions that entrepreneurs can

make to the economy in terms of quantifiable measures and evaluating the entrepreneurs' performance in these areas relative to their counterparts, i.e. larger, older or incumbent firms. In these senses, our study is unique. Besides emphasizing what our study might contribute, it is also worthwhile to acknowledge what it does not contribute. Economic or management theories about why and how entrepreneurs would contribute more or less to specific aspects of economic value creation, such as employment or innovation, are not included.

REVIEW OF LITERATURE

1. C. Mirjam van Praag, Peter H. Versloot, 2007, *What is the Value of Entrepreneurship? A Review of Recent Research* said suggested the empirical evidence and systematically substantiate the claim that entrepreneurship has important economic value. What is the contribution of entrepreneurs to (i) employment generation and dynamics, (ii) innovation, and (iii) productivity and growth, relative to the contributions of the entrepreneurs' counterparts, i.e. the 'control group'? A fourth type of contribution studied is the role of entrepreneurship in increasing individuals' utility levels. Based on 57 recent studies of high quality that contain 87 relevant separate analyses, he conclude that entrepreneurs have a very important – but specific – function in the economy. They engender relatively much employment relation, productivity growth and produce and commercialize high quality innovations.

2. Sameeksha Desai, 2007, *Post-conflict Microfinance, study on Iraq* justify the international evidence of entrepreneurship he three critical requirements for successful microfinance operations, as outlined by the Microenterprises Best Practices Project. Political stability, economic demand and population stability are evaluated in the case of Iraq. Several other considerations are also addressed, including matters of scale, government mechanisms and support, and gender and religious contexts.

3. Bo Carlsson, Zoltan J. Acs, David B. Audretsch, Pontus Braunerhjelm, 2007, *The Knowledge Filter, Entrepreneurship, and Economic Growth*; This paper explores the relationship between knowledge creation, entrepreneurship, and economic growth in the United States over the last 150 years. According to the "new growth theory," investments in knowledge and human capital generate economic growth via spillovers of knowledge. But the theory does not explain how or why spillovers occur, or why large investments in R&D do not always result in economic growth.

4. Erik Stam, André van Stel, Kashifa Suddle, S. Jolanda A. Hessels, 2007, *High Growth Entrepreneurs, Public Policies and Economic Growth*, investigates whether the presence of ambitious entrepreneurs is a more important determinant of national economic growth than entrepreneurial activity in general. We use data from the Global Entrepreneurship Monitor to test the extent to which high growth ambitions of entrepreneurs affect GDP growth for a sample of 36 countries. Our results suggest that ambitious entrepreneurship contributes more strongly to macro-economic growth than entrepreneurial activity in general.

5. Andrea Conte, Marco Vivarelli, 2007, *Globalization and Employment: Imported Skill Biased Technological Change in Developing Countries* discusses the impact of the international transfer of embodied technological change on the employment evolution of skills in a sample of low and middle income countries (LMICs). A large body of literature has already underlined the occurrence of widening wage and employment differentials between skilled and unskilled workers in high-income countries. This paper provides a direct measure of technology transfer from HICs, that is from those economies which have already experienced the occurrence of skillbiased technological change, to LMICs. GMM techniques are applied to an original panel dataset comprising 28 manufacturing sectors for 23 countries over a decade. Econometric results provide direct robust evidence of the

absolute skill-bias effect of technology import in LMICs which, therefore, represents an important determinant of the growing divide between skilled and unskilled workers in these countries.

IMPORTANCE OF THE STUDY

1. To specify the segmented area of entrepreneurship
2. To identify the level of credit required by the sector of economy
3. To identify the challenges faced by entrepreneur in formation of capital.
4. To identify the issues responsible entrepreneurship development .
5. To identify the problem area for institution and entrepreneur.

PROBLEM STATEMENT

One of the basic objectives of economic growth was to improve the productivity of big as well as small sector. The concept of micro finance was to ensure the surge of venture credit to the society, RBI and central government plans for the improvement of credit under the three years schemes based on the recommendation of committees related to different issues . They identify the problems .the assistance of this section will be of no use unless it is ensured that the recipient utilizes the assistance for the utility purpose and generate sufficient income to repay the loans and to improve the standard of living.

As the schemes is in operation for three decades, an empirical evaluation of this performance was made so that problem could be identify and the performance could be improved with a view to highlight and deliberate on the schemes, to examine the involvement of the banks in to it implementation, to evaluate the extent of success, to identify the problems associated therewith and to improve its working. It's a paramount importance to analyze the impact of priority sector credit on the people and the economy

OBJECTIVE

1. To critically evaluate and analyze the capital formation in kumaun region.
2. To understand the need of micro finance and PSL schemes for the development of entrepreneurship .
3. To assess the challenges faced by the entrepreneur and financial institution.
4. To analyze the influencing factors (interest rate, credit limit, fixed and floating loan) of the Indian commercial banks

RESEARCH METHODOLOGY

Descriptive research was used for the study as both primary and secondary data is focused for assessing the impact of several financing schemes on banks, farmers, and other promotional areas. The study was conducted in two phases , first data was collected from the RBI bulletins, basic statistical returns , currency and finance , RBI occupational papers , credit information reviews , circular of rural planning and credit department of RBI , publication of national institute of bank management , central and state government circulars and publication , banking statistics provide by SLBC, District credit plans , publication of

economics and statistics department etc were collected and critically analyzed. Internet services were also used for collecting the latest information through the website of RBI and other institution.

In the second stage primary data was collected through the field survey. For this two sets of structured interview schedule were prepared. One for the beneficiaries and other for the bank officials, which could give the procedure and the formalities, methods and difficulties in implementing the bank schemes and its utilization and impact in the state . Beside , relevant information has been collected through the discussion with the lead bank managers , project officer , bank development officer and agriculture officer.

Survey design

Multistage sampling frame was used in survey design and first stage the state of kumaun to which research is done is selected . for this purpose the state was consist of six district was divided into three zones

1. Almora and bageshwar
 2. Champawat and pithoragarh
 3. Nainital and udhamsingh nagar
- From each unit five public , five private and co-operative banks were included. Total eleven managers from each unit and thirty three managers all . from each bank fifteen beneficiaries were selected so they form five hundred respondent

Formulation of promotional strategy

1- It describes the introduction to the kumaun region , udhamsingh nagar and the banking sectors

2 -The economics activities of public and private sectors banks are responsible for the floatation of money and financial sources that are available in udhamsingh nagar.

3.- Due to higher growth rate of industries demand for money keep on increasing ,just due to this process of demand from industries and supply from financial institution develop the kumaun region

4-To calculate the interest rate in various ways that are faced by the customer are responsible for the calculation of demand and supply of money

5 -With increase in banking sector it also important to know the opportunities available with them

6 -Difference between public and private banks so that we can able to judge best options according to the customer

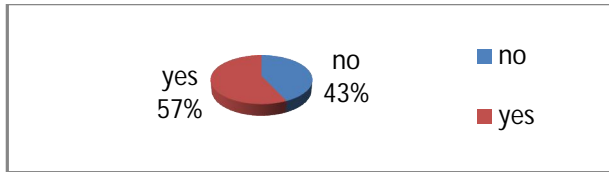
7.- Problems faced by the bankers and customers for availing and giving the services

8- Conclusion of the study with the suggestion taken by the bankers and the entrepreneurs to improve the capital formation.

RESULT AND DISCUSSIONS

1. Evaluation of the importance of capital formation

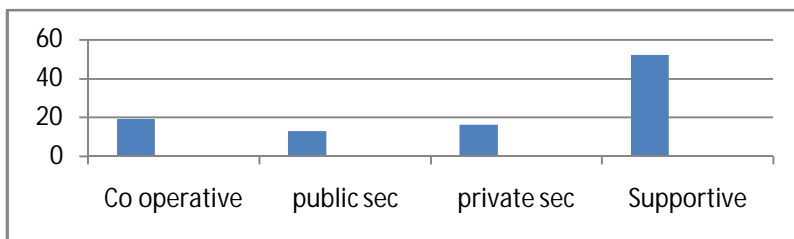
To scores of observer, the current debate about possible fiscal policy intervention suggests that we are still relying on the approaches to discretionary in post periods of policy activism. The central bank increased statutory liquidity ratio (SLR) by 100 basic points from 24% to 25% effective from November/11/2012. Scheduled commercial banks are presently maintaining SLR investment at 27 % of their net demand time liability as it has been noticed that increase in SLR will not the impact of liquidity position for banking system and credit to private sectors .



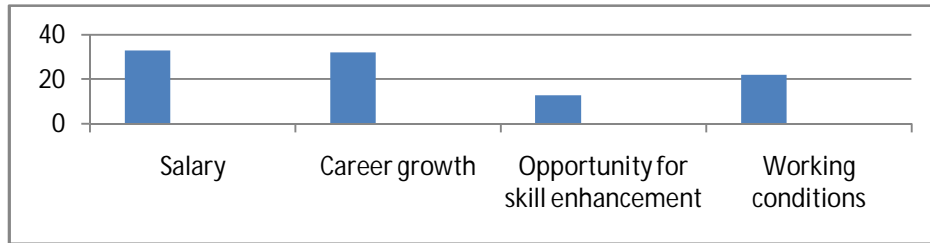
Maximum number of customer proposed that banking has improved a lot in offering customized products, and this will surely leads to better financial environment

2 Identification of schemes offered by commercial banks for the development of entrepreneurship

Drastic growth to privatization and extension of financial institution for the lending credit to market is a virtue or vice. By the end of March 2012 budget 2012-2013 has shown various variation in rupees. Date has shown mobilization of Indian currency by Non Tax Revenue i.e. 11p, non – debt capital receipt i.e. 3p and borrowing and other liabilities is 29p. there are some factors such as service Tax , Union Excise duties , custom & Income Tax totally they make 34p. On the contrary rupees goes to Non – plan assistance ,state share of duties and taxes ,plan assistance to state and UT, central plan , subsidies and defiance, Interest payment and finally other non- plan expenditure that makes the total of 93p. On ground bases budget look fine , it will possible to fulfill the aspiration of a one billion population, Finance ministry faced an economy that was just about gathering pace after a massive pull back that threatened to undo nearly all the goods work of one decade. This mixture of all the possible advices by assuming a growth 8.5% of Gross domestic products in real term, that is net of the inflation. The estimated inflation rate is 4% for the year; The Indian economy has come a long way just a hope .India with the advanced Industrial structure in the world the only laggard in the agriculture sector. Total production of each sectors actually contracted in the year 2011-2012. Budget has substantially raised the allocation for special including the government flags ship Bharat Nirman programs and rural employment schemes – MGNREGA. (The Mahatma Gandhi National Rural Employment Guarantee Act)



It has been clearly shown by the statistical data that intermediaries services are more powerful than other organized services as domain panel are extremely lengthy .

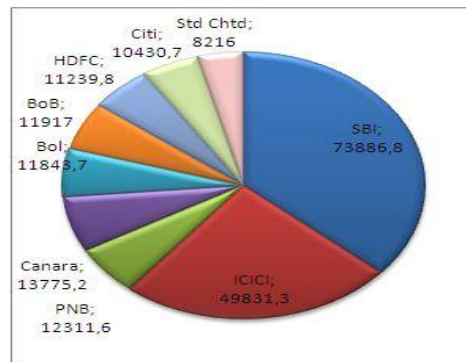
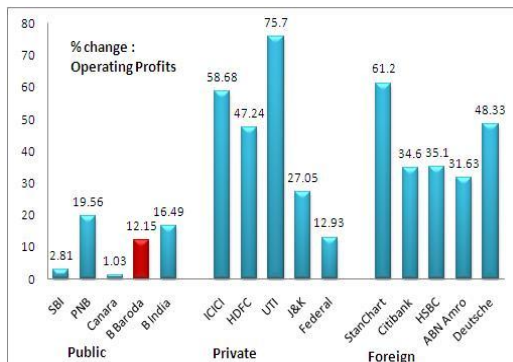


Generally aspirant prefer private banking sector because of perks and benefits than other velvety state of affairs.

Year 2012-2013 has made a fair start to getting back on the path of stable growth , while balancing the risk of a continuing global slowdown but without boarded participation , rapid growth cannot be sustained effortlessly for year and year to come but the major issues is to calculate on that basis we are forecasting our future growth ; on the higher rate of foreign direct investment , better approach to other countries or on the basis of increasing poverty line , increasing unemployment and most off all static value of money.

3. Growth of region under credit lending

Betterment in economic stage and flourishing future for Indians can be achieved by increasing the value of money with the limited supply of credit to general population.



CONCLUSION

Finding the right schemes means working out which bank gives you a good return on your business- whether that be interest on your savings or a cheap loan rate if you're borrowing. It also means the bank which provides the full range of services you'll need, and which rewards you for your loyalty in using them, other services offered by the government of India banking industry are at high street , the needs to make money from other financial instrument are growing at higher rate . by the year 2014 bank charges decline, some internet banks won't do it. Your high street bank can offer you free banking because they'll make a profit in other places- investments or loans for example.

Farming section of U.S.Nagar generally preferred credit limits with maximum numbers of 64%. Private banks are preferred in commercial banking as post services are more effective as compared to public banks. norms followed by commercial banks are rigid enough as RBI has predefined guidelines for each schemes.

Majority of respondent committed that banks loaning formalities are quite but as in the present scenario kumaun region has shown great performance specially in the district of udhamsingh nagar (rudrapur city) and nainital (haldwani city).

LIMITATION

Sample size was taken less because of time and cost constraints

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ANNEXURE

Questionnaire used for survey

1. Sampling detail

S.no

District

Name of the bank

Bank group

2. Action taken by the banks for communicating the PSL schemes

Block official

Circulars

TV/ radio

News pares/ posters

Others

3. How do the beneficiaries approach to the banks

Direct indirect

4. Do you provide staff training for the government schemes?

Yes no

5. Do you maintain separate registers for loans?

Sector wise

Yes no

Village wise

Yes no

6. Do you assist the borrowers in time to time difficulties?

Providing repayment holiday

Waiving the interest

Rescheduling the loans

Need based assistance

7. Do you compel the beneficiaries to compel the assets?

Yes no

8. Do you conduct any pre sanction visit?

Yes no

9 what are the interest rate on micro finance schemes.

Upto 2 lakhs

3lakhs to 5 lakhs

6lakhs to 10 lakhs

Above 10 lakhs

10.reasons for delay in disbursement on credit

Technical appraisal

Shortage of staff

Improper documentation

11. In financing priority sector do you receive any assistance from?

Sc/ St

Yes no

Ngo

Yes no

12. Have you conducted any survey in service area?

Yes no

13. How is the target as per the DCP is fixed?

By CD ratio by amount

14. What are the benefits enjoyed by the beneficiaries?

Low interest rate

Subsidies

Quick disbursement

Less formalities

No benefit

15. Have you notice any misutilization of credit

Yes no

16. If 'yes' action taken by you

Call back the advances

Personal follow up for the loans

Reported to higher authorities

Not bothered if repay properly

17. In which sector do you find more NPA'S?

Priority sector non priority sector

18. What are the factors responsible for the NPA in priority sector?

Unscientific borrower's selection

Socio-political factor

Mismanagement of income and funds

Effect of ADRS

19. Priority sector advances for the last 5 years in your branch

Psl	Non psl
2009	
2010	
2011	
2012	
2013	

20. NPA position of your branch for last 5 years

NPA Psl	NPA Non psl
2009	
2010	
2011	
2012	
2013	

21. Do the beneficiaries approaches for the subsequent credit creation

Yes no

22. If 'yes' criteria for loan

Regular repayment

Complete repayment

Others

23. Priority sector lending are in profit or not

Yes no

24. What are the goals achieved through priority sector lending

Eradication of poverty

Upliftment of weaker section

Reduction of unemployment

Growth in industrial sector

Socio-economic growth

Others

25 Is PSL is limited to profit making banks alone

Yes no

26. Do you feel that PSL are enjoyed by real priorities

Yes no

27. Do you feel that credit pattern are changing in right direction

Yes no

28. Are the beneficiaries are satisfied with the PSL schemes offered by Indian government

Yes no

29. If 'no' then what are the reasons

Follow up the guidelines strictly

Assessment to credit worthiness

Receiving application in bulk

Insufficient staff

Non Corporation from government official

Lack of infrastructure facilities in rural areas

High number of defaulters

Political pressure

Rural bias vs. urban

30. What is the relevance of PSL after LPG?