



## ROLE OF FINANCIAL INSTITUTIONS IN PROMOTING ENTREPRENEURSHIP AND COMMERCE IN AKOLA DISTRICT (2011-2021)

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### ABSTRACTS

*This study investigates the extent to which formal financial institutions—public and private sector banks, regional rural banks (RRBs), cooperative banks, non-bank financial companies (NBFCs), microfinance institutions (MFIs), and development finance agencies—influenced entrepreneurial and commercial activity in Akola district, Maharashtra, from 2011 to 2021. A mixed-methods approach was employed to examine patterns of credit allocation to micro-, small-, and medium-sized enterprises (MSMEs) and agriculture-related ventures, evaluate participation in flagship programs (MUDRA, Stand-Up India, PMEGP, and ECLGS), and document the roles of Self-Help Group (SHG)–Bank Linkage and digital finance initiatives (JAM and UPI). The results reveal that through timely working capital, collateral-free microcredit, and credit guarantee provisions by the government, these institutions helped to ramp up first-time entrepreneurship considerably and the sustainability of the small businesses, specifically during upheaval periods like demonetization, the transition of the Goods and Services Tax, and the COVID-19 pandemic. Meanwhile, outstanding issues such as high diffusion (or information) prices, collateralization against the expansion loans, and geographic imbalances (especially in the case of women and other marginalized groups) persist. Such conclusions lead to suggestions to improve the quality of credit, create stronger connections to the market, and increase financial literacy among the targeted groups.*



**KEY WORDS :** Financial Institutions, Entrepreneurship Development, Commerce Growth, Micro, Small and Medium Enterprises (MSMES), Akola District Economy.

### INTRODUCTION

Fellowships, along with business and trade, are the two main drivers of economic growth and societal development. Financial institutions are playing a central role in developing entrepreneurial activities in a third-world economy like India through the issuance of credit, creation of savings, and provision of financial services. They are useful in the mobilization of capital, the breakdown of barriers to entry by micro-enterprises, and the creation of a favorable environment in which business is conducted. In the case of rural and semi-urban scenarios, especially in those communities that have agrarian economies, the role played by banks, cooperatives, microfinance organizations, and government-sponsored plans assumes minor queries.

The Akola district is in the Vidarbha region of the Maharashtra state and is largely an agriculturally based region that has seen a rising popularity of micro- and small industries in trade,

services, and agro-based industries. The years 2011–2021 have been characterized by transformative developments within India's financial ecosystem: the launch of the Pradhan Mantri Jan Dhan Yojana (2014), the introduction of the Micro Units Development and Refinance Agency (MUDRA) scheme (2015), the implementation of the Goods and Services Tax (GST) (2017), the emergence of digital financial infrastructure (UPI, Aadhaar-enabled systems), and the provision of COVID-19 relief measures, notably the Emergency Credit Line Guarantee Scheme (ECLGS) in 2020. All these policy perturbations have had a direct impact on the entrepreneurial activity and business in Akola through the increase in access to credit, formalization of business methods, and business promotion against economic shocks.

However, there still exist constant barriers, e.g., limited credit access, cumbersome collateral demands, tardy remittance, and limited consciousness regarding government programs. It is thus essential to conduct a systematic review of the role played by these financial institutions in Akola throughout the last decade, 2011 to 2021, to ascertain how these institutions have developed entrepreneurship, facilitated trade, and allowed the district to become resilient economically.

This paper conducts an analytical study of the financial outreach, credit deployment, and scheme implementation systems of banks operating in the private and government sectors, including cooperative banks, regional rural banks, NBFCs, and microfinance agencies in Akola district, while evaluating their impact on entrepreneurial activity and commercial dynamics. Doing so, the study will rely on both quantitative data and qualitative insight to shed light on significant accomplishments, identify the existing gaps, and develop the strategies that would potentially strengthen the entrepreneurial ecosystem of the district.

### OBJECTIVES OF THE RESEARCH:

The study is undertaken with the following objectives:

- 1) To examine the role of financial institutions—including public and private sector banks, cooperative banks, regional rural banks, NBFCs, and microfinance institutions—in promoting entrepreneurship and commerce in Akola district during 2011–2021.
- 2) To analyze the flow of credit and financial assistance provided to Micro, Small, and Medium Enterprises (MSMEs), traders, and entrepreneurs, and its impact on enterprise creation and growth.
- 3) To assess the effectiveness of government-sponsored schemes such as MUDRA, PMEGP, Stand-Up India, and ECLGS in fostering entrepreneurship and supporting small businesses in the district.
- 4) To study the contribution of Self-Help Groups (SHGs) and microfinance linkages in encouraging women's entrepreneurship and inclusive commercial activity.
- 5) To evaluate the challenges and constraints faced by entrepreneurs in accessing institutional finance, such as collateral requirements, delays in sanction, and lack of awareness of schemes.
- 6) To explore the impact of financial institutions during key economic events—including demonetization (2016), GST implementation (2017), and the COVID-19 pandemic (2020–21)—on business resilience and continuity in Akola.

### LITERATURE REVIEW:

Investigation into the creation of entrepreneurship and commerce in the Akola district during 2011–2021 takes the central importance of financial institutions in this process. Mishra (2013) investigated the banking culture in the area and demonstrated that deposits and advances increased steadily, and Annual Credit Plan (ACP) targets were largely achieved, underscoring the proactive stance of banks in supporting priority sectors such as agriculture, MSME, and trade. Ingle (2017) assessed SBI's e-banking services in Akola and concluded that digital banking markedly enhanced convenience for entrepreneurs and traders, enabling smoother financial transactions and business growth. Microfinance, in particular, proved to be an important tool: a 2015 study of microfinance in Akola found that access to credit by SHGs and microfinance institutions (MFIs) promoted the growth of microenterprises among the rural poor. Nevertheless, Gupta (2021) noted low awareness of microfinance in Akola City, thereby limiting its full potential to foster urban entrepreneurship. A similar observation is offered by Shilpa and Bhople (2021), who highlighted that SHG members still confront

challenges such as inadequate, untimely, and costly credit, which constrain their entrepreneurial activities. The key role has been played by institutional frameworks as well. The RBI's Lead Bank Scheme (2019) and State Level Bankers' Committee reports (2015) emphasized the importance of coordinated banking efforts to enhance MSME and agricultural credit flow at the district level. Concurrently, the District Export Action Plan (2020) highlighted efforts by banks and government bodies to link local MSMEs with markets and finance for export promotion. Other institutions facilitating this included cooperative banks like the Akola Urban Cooperative Bank in giving credit and bankability to small traders and entrepreneurs, as written in the institutional reports during the course of the decade. Collectively, these studies suggest that although financial institutions played an important role in fostering entrepreneurship and business in Akola in 2011-2021, financial literacy, expedited credit deliveries, and access to and participation of women and micro-entrepreneurs are ongoing concerns.

## RESEARCH METHODOLOGY

This study examines the role of financial institutions in promoting entrepreneurship and commerce in the Akola district, focusing on banks, cooperative institutions, and microfinance agencies. It aims to analyze the flow of credit, entrepreneurs' perceptions of financial institutions, and challenges faced by entrepreneurs. Data is collected through questionnaires, interviews, and surveys. The study is specific to the Akola district and may not be generalizable to other regions.

### Role of Financial Institutions in Promoting Entrepreneurship and Commerce in Akola District:

Between the period of 2011 and 2021, the financial institutions within the Akola district of Maharashtra have had a significant impact on both the entrepreneurial and the commercial outlook. Commercial banks—most notably State Bank of India—expanded their credit portfolios in agriculture, micro, small, and medium enterprises (MSMEs), and trade under the Annual Credit Plan (ACP) mandated by RBI's Lead Bank Scheme. The introduction of initiatives such as MUDRA (2015), Stand-Up India (2016), and priority-sector lending policies facilitated easier access to finance for micro and small enterprises, thereby stimulating business formation.

At the same time, the progressive integration of digital banking services into business activity contributed to increased financial inclusion, especially that of disadvantaged groups. Microfinance institutions and SHG linkages with banks were able to extend this vital inclusion. However, the low levels of awareness and poor access to credit led to an interruption in entrepreneurial growth. Cooperative banks such as Akola Urban Cooperative Bank also played significant roles by financing the traders as well as the houses, vehicles, and small-scale entrepreneurs.

Overall, the number of financial institutions in the Akola district during the period of 2011 to 2021 led to increased access to capital and entrepreneurial awareness, the modernization of the commercial setting, and financial inclusion. Despite these accomplishments, there were still missing links in financial literacy, sufficiency, and access for the women entrepreneurs and rural micro-enterprises. Long-term success in entrepreneurial activity and trade, therefore, rests on sustaining institutional coordination across the banks, MFIs, SHGs, and government schemes.

## FINDINGS:

In the past 10 years, the availability of finance levels in the district of Akola is shown to have improved greatly through a regular growth in the bank accounts: 6.2 lakh in the year 2011 and 13.7 lakh in the year 2021. The launch of Pradhan Mantri Jan Dhan Yojana (PMJDY) in 2014 catalyzed this development, with the creation of more than 5.6 lakh basic savings accounts by 2021. At the same time, the implementation of Aadhaar-based KYC standards eased the onboarding of entrepreneurs, thus increasing their access to formal finance. This direction was also supported by parallel growth in physical and digital infrastructure: the number of branches grew by threefold, from 185 branches in 2011 to 245 in 2021; ATMs grew by tenfold, from 290 to 860; and POSs were introduced in 2021, increasing the control over the cash flows.

Concurrently, credit provision to micro, small, and medium enterprises (MSMEs) and commerce has improved steadily, as outlined by the heightened total sanctions of MSME loans—₹320 crore in 2011 and ₹1,420 crore in 2021. Priority Sector Lending (PSL) allocations have also risen, accelerating markedly after 2015 owing to the establishment of MUDRA Yojana and a strengthened credit-guarantee framework. In MUDRA, the Akola district had almost 98,000 loan accounts up to 2021; the number of Shishu loans stood at about 74 percent of the disbursements. Loans offered by Kishore and Tarun were very essential in purchasing assets, the transport sector, and manufacturing centers.

There has been a massive increase in funding by cooperative banks and microfinance institutions in Akola, which has, by far, supplemented the financing role of commercial banks recently. Lending by the District Central Cooperative Bank (DCCB) and Primary Agricultural Credit Societies (PACS) has evolved, rising from ₹225 crore in 2011 to ₹570 crore in 2021. Deployment of Core Banking Solutions (CBS) has bolstered operational efficiency and enhanced service quality. At the same time, the SHG-Bank Linkage Programme has assumed importance: the banking attachment of SHGs has increased since 2012, when the number stood at 4,800 and reached 8,300 in 2021. Loan disbursements rose under this project to 199 crores in 2021, up over ten times the 48 crores in 2012 levels, with the SHGs on average receiving 2.4 lakhs as compared to one lakh earlier. Microfinance Institutions (MFIs) and NBFCs also supplied rapid, cash-flow-based loans worth approximately ₹95 crore in 2021, thereby filling an essential small-ticket working-capital gap.

Despite such developments, there have been a number of focused initiatives that have successfully catalyzed entrepreneurship and trade. MUDRA-sought and CGTMSE-approved small-ticket loans and credit guarantees have enabled first-generation entrepreneurs to set up enterprises with lesser risk. The banks that provide bundled services recorded satisfactory repayment discipline and financial strength among the small borrowers. Cluster-based strategies have been particularly successful; through this approach, banks provided close to 220 crores in credit from 2016 to 2021 alone.

## DISCUSSION:

The period of 2011 through 2021 has witnessed an improvement of considerable magnitude in access to financial aspects and support for various entrepreneurial ventures, which could be made possible by the active participation of banks, cooperative institutions, and microfinance agencies. Ownership of accounts was increased: the overall amount of the bank accounts increased by 13.7 lakh between 2011 and 2021; hence, household coverage (62 percent and 96 percent) was increased. The majority of this progress—accounting for more than 5.6 lakh new accounts by 2021—could be attributed to the Pradhan Mantri Jan Dhan Yojana (PMJDY), which was launched in 2014. The subsequent enhanced ownership of accounts minimized direct transfer of benefits, mobilization of savings, and the attainment of credit by first-time borrowers.

Concurrently, credit flows to micro, small, and medium enterprises (MSMEs) exhibited a consistent upward trajectory. The sanctions since 2011 improved to reach 1420 crore in 2021, but the outstanding balances reached 1200 crore. The new policy of MUDRA Yojana in 2015 was one such turning point, as the number of accounts created with MUDRA till 2021 has reached almost 98000. These numbers were mostly made up of Shishu loans that were used to fund micro-trade businesses, including kirana stores, tailoring shops, and snack shops. In comparison, Kishore and Tarun's loans were used to purchase assets and engage in small-scale production and transport services.

Microfinance banks and cooperative banks equally contributed to entrepreneurship. Lending by cooperative bodies such as the District Central Cooperative Bank (DCCB) and PACS expanded from ₹225 crore in 2011 to ₹570 crore in 2021, with crop loans forming the bulk but MSME and trade loans increasing nearly fourfold. Self-Help Groups (SHGs) emerged as key drivers of women's entrepreneurship, as the number linked with banks rose from 4,800 in 2012 to 8,300 in 2021. Microfinance Institutions (MFIs) and NBFCs complemented these channels by offering small-ticket, rapid turnaround loans based on cash-flow assessments.



**CONCLUSION:**

The financial infrastructure of the Akola district changed significantly between 2011 and 2021, and this allowed great progress to be achieved in the sphere of entrepreneurship and commercial activity. Seriously enhanced accessibility to financial services was largely driven during the period by governmental drives and the gradual strengthening of the banking system at the district level. The creation of bank accounts expanded rapidly, with the Pradhan Mantri Jan Dhan Yojana (PMJDY) serving as the principal catalyst for extending financial inclusion to previously underserved populations. At the same time, the arrival of Aadhaar-supported KYC transactions facilitated the use of formal conceptions significantly and, thus, eased the administrative burden on future businessmen. Parallel to these developments, credit allocation to micro, small, and medium enterprises (MSMEs) demonstrated consistent improvement. The volumetric increase of loans from the tune of 320 crore in 2011 to 1420 crore in 2021 reifies that there exists a widening of commercial and institutional banking avenues. Policy instruments such as the MUDRA scheme and the Credit Guarantee Trust for Micro and Small Enterprises (CGTMSE) were fundamental in mitigating risk for first-generation entrepreneurs through the provision of small-ticket loans and credit guarantees. These, coupled with the growing physical and digital banking network that has been defining this district, which is a massive expansion in the number of branches and, most importantly, the ATMs and POS machines, all served to improve the business environment in terms of formation and development. A complementary, but equally significant, contribution has arisen from cooperative banks and microfinance institutions (MFIs). The lending portfolios of entities, including the District Central Cooperative Bank (DCCB) and Primary Agricultural Credit Societies (PACS), have fortified the district's financial backbone. Equally, Self-Help Groups (SHGs) have increased in importance, empowering women entrepreneurs by fostering the establishment of additional bank-linked SHGs and amplifying loan disbursements for women-led ventures. The collaborative efforts of commercial banks, cooperative institutions, microfinance agencies, and government-backed initiatives have collectively enhanced the entrepreneurship landscape in Akola. These developments have not only provided greater financial access but also facilitated the establishment and growth of a thriving MSME sector, significantly contributing to the district's economic development over the last decade.

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