



## A CASE STUDY ON THE ROLE OF NON-INSTITUTIONAL FINANCIERS IN DEVELOPING OF ENTREPRENEURSHIP IN TINSUKIA DISTRICT OF ASSAM

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**ABSTRACT**

*Under a given system everything works properly as the activities have been constantly being monitored by people, rules, regulations and statute. Thus the role played by financial institutions are quite clear in the mindset of the common people. However, the non institutional financier has also played a great role in an economy but, very less focus has been made on that as these are not exactly following the same system as that of financial institutions. This study has primarily being focused upon the role played by these Non institutional financiers in promoting entrepreneurship with a series of case studies in Tinsukia district of Assam. Moreover, an attempt has been taken in the study to know the rate of interest charged by the 'Non-Institutional Financers' from the borrowers against the Mortgaged loan.*

**KEYWORDS :** Non Intuitional Financer, Entrepreneurship, Financial Capital.

**Introduction:**

Non institutional financiers are those who provide money to the new entrepreneurs to start up new enterprise and to the existing entrepreneurs who use it for bridge capital and also for the expansion of the existing unit. They provide the money to the entrepreneurs by considering the three aspects in mind i.e. Human Capital, Social Capital and Financial Capital.

**Entrepreneurship:**

The entrepreneur is one who undertakes to organize, manage and assume risk of business and is a person who own and control his own enterprise. An entrepreneur is an innovator who takes the initiative for doing something new. They are almost always focused upon the well being, survival and development of their enterprises. Their everyday activities are centered on doing business and simply running their enterprise by applying their entrepreneurial skills.

An entrepreneurship is the process of creating something new with value by devoting the necessary time, effort, assuming the accompanying financial, psychic, and social risks and receiving the resulting rewards of personal and monetary satisfaction.

**Financial Capital:**

Financial Capital refers to the funds provided by the lenders (and investors) to businesses to purchase real capital equipment for producing goods/services. Real capital or economic capital comprises physical goods that assist in the production of other goods and services, e. g. shovels for gravediggers, sewing machines for tailors, or machinery and tooling for factories.

**Research Questions of the study:**

1. What is the financial capital in financing entrepreneurial activities by the Non Institutional Financer in Tinsukia District?
2. Is there loan repayment credibility while financing entrepreneurial activities by the Non Institutional Financer?

**Objectives of the study:**

1. To observe the focus on Financial Capital in financing entrepreneurial activities by the Non Institutional Financer in Tinsukia District.
2. To observe the focus on loan repayment credibility while financing entrepreneurial activities by the Non Institutional Financer.

**Research Methodology:**

Following Research methodology adopted in the study:

**a. Area of the study:**

The study focuses on the role of non institutional financiers for the development of entrepreneurs with special reference to the various sub divisions of Tinsukia district.

**b. Sample Size:**

The study was mainly conducted on interview basis. In doing so a limited number i.e; 20 no' of non institutional financiers were selected from Tinsukia district.

**c. Collection of Data:**

**i. Primary Data** The researcher has used schedule of questions that has been asked to the non institutional financiers.

**ii. Secondary Data** The sources which were used for this study as secondary data are internet and various journals and books.

**d. Analysis Technique:**

In this study all the collected data are tabulated and analyzed on percentage basis as no statistical uses are relevant in this kind of case study method and after tabulation is done they are properly analyzed to make each point more clear.

**e. Analyses and Interpretation of data:**

Based on the data collected from the respondents the researcher proceeds for the following analysis:

**Factors under consideration while lending money by Non institutional financiers:**

**Table – 1.1 Feasibility Report as Criteria**

Response	Number	%.
Yes	14	70%
No	6	30%
Total	20	100%

Source: Primary data compiled from field survey.

The above stated table shows that out of 20 non institutional financiers 14 non institutional financiers i.e., 70% they ask for written or printed report. But the remaining non institutional financiers i.e.; 6 out of 20 non institutional financiers (30%) while lending money do not ask for feasibility report.

**Table -1.2 Time Limit as Criteria**

Response	Number	Percentage
Yes	20	100%

No	0	0%
Total	20	100%

Source: Primary data compiled from field survey.

Above table shows that almost 100% of the money lenders have considered the time limit as one of the major criteria while lending money to the required people.

**Table – 1.3 Seeking Mortgages as Criteria**

Response	Number	Percentage
Yes	14	70%
No	6	30%
Total	20	100%

Source: Primary data compiled from field survey.

From the above table it can be observed that 14 out of 20 i.e. 70% of the non institutional financiers stating that while lending money they used to take mortgages.

**Table – 1.4 Evaluation criteria on the basis of Earning**

Response	Number	Percentage
Yes	9	45%
No	11	55%
Total	20	100%

Source: Primary data compiled from field survey.

From the above table it can be stated that 9 out of 20 i.e. 45% of the Non institutional financiers stating that they considered that earning is an essential part of their business because according to them whenever they go for lending money to the entrepreneurs, then first of all they decided the rate of interest for the landed money.

**Findings:**

**1.** While going through the study it has been observed that whenever the Non institutional financiers lends money to any kind of borrower they consider Financial Capital as an important factor as because according to them they have to keep some precious things as mortgage before lending money to anybody. So, they will have to take in to consideration some major points through which they can be able to lend money efficiently:

**a) Feasibility Report** - The non institutional financiers ask for some written or printed report for their safety.

**b) Time Limit** - all the non institutional financiers give their main emphasis on time limit because according to them it is very much essential to give a time limit to the borrowers. So, that after the expiry of the time limit they can be able to take any action against the borrowers in case of nonpayment of the borrowing money.

**c) Mortgage** - While going through the survey it has been observed that now a days the non institutional financiers while lending money they usually keep gold jewelries as mortgage because according to them if they keep property papers or some other things as mortgage then it will be risky for them to get their loan amount from the borrowers because in case of property papers they said that it will be very much risky for them as many times the property papers are not original and even, although the papers are original there are a lots of formalities which the non institutional financiers or the lenders will have to fulfilled and for them it is also very costly. So, they give their first preference to the gold jewelries as mortgage.

**d) Earnings** - the non institutional financiers usually said that they do a side business as a non institutional financiers and so they are also called Private Money lenders and for that reason only, they do not want to disclose anything about their earnings and while going

through the survey it has been observed that all the non institutional financiers said that each and every person do any kind of business to earn something. So according to them it is not very much essential to say anything about their earnings.

**1.** While going through the survey it has been observed that whenever the Non institutional financiers lends money to a person who wants to be an entrepreneur then at that as a Non institutional financier they will have to look after the rate of interest because it is their earnings and so, at the very beginning before lending money they decided the rate of interest according to the time period for which the money has been borrowed by the entrepreneur.

While going through the survey about the rate of interest usually all the 20 Non institutional financiers told that their rate of interest varies with the time period and according to them if they provide finance for a short period they usually charge a 5% of interest but at the same time if they lends money for a long period then it will be at least 10 to 15%. This does not mean that for all the Non institutional financiers the rate of interest is same, it varies from person to person.

While going through the survey it has been also found that the Non institutional financiers also give their importance on the fact that whether the entrepreneur to whom they lends money is a businessman or a salaried person because if he is having some business such as glossary shop or cloth shop then the Non institutional financiers wants to know that whether he is the proprietor of that shop or not. Then at the same time they also want to know that whether the adequate stocks are available in the shop or not and after observing all these facts the Non institutional financiers finally decide that whether they have to lends money with that particular fellow or not. And at the same time the Non institutional financiers if they lends money to a salaried person then also they see the things like the amount of salary he gets from his job and whether his job is permanent or temporary one because according to Non institutional financiers if the income of a person (who wants to be an entrepreneur) will good then only he can able to pay the interest as well as repay the loan amount at the maturity and otherwise not.

**Outcome of the study:**

The outcome of the study is when the loan amount not refunded by the borrower to the non institutional financier, they adopt different ways to recover the same. Apart from the mortgaged item they also put both mental as well as physical pressure to the recipients. This is another outcome of the study which fulfills the all the requirement of the second objective of this survey.

**Conclusion:**

The conclusion extracted from the study that out of the total 20 non institutional financiers have made their remarks that their role of lending money to the needy people are somehow very much important as because there are many persons who does not want to go to banks and other financial institutions for borrowing money (as there are lots of formalities and rules regulations attached with that) and so, they like to borrow from non institutional financiers by keeping some precious things as mortgage and by paying them a small(?) amount as interest to the non institutional financiers. Though the researcher fully convinced with their claim but regarding the rate of interest which the non institutional financier claims to be nominal is not at all acceptable.

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