

## Original Article

### The Role of Banks in the Development of Entrepreneurship in Karwar Taluk, Karnataka

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#### Abstract

*This study examines the role of banks in promoting and supporting entrepreneurship in Karwar Taluk, Uttara Kannada district, Karnataka. It investigates how banking products, credit accessibility, advisory services, and non-financial support affect the growth, survival, and expansion of micro, small and medium enterprises (MSMEs) in the taluk. Using a mixed-methods approach combining primary survey data from 150 entrepreneurs and in-depth interviews with bank officials and entrepreneurship stakeholders, the paper identifies key enabling practices and constraints. Findings indicate that while banks provide essential credit and savings products, hurdles such as cumbersome documentation, inadequate awareness of schemes, collateral requirements, and limited financial literacy reduce uptake. The paper concludes with policy and managerial recommendations to strengthen bank-entrepreneur linkages and suggests areas for further research.*

**Keywords:** Banks, Entrepreneurship, MSME, Karwar Taluk, Financial Inclusion, Credit, Karnataka

#### Introduction

Entrepreneurship is a critical driver of economic development, employment generation, and local innovation. In semi-urban and rural settings such as Karwar Taluk, local enterprises range from fisheries and food processing to tourism-related services, handicrafts, and retail trade. Banks play a pivotal role by providing financial resources, payment infrastructure, risk mitigation and advisory support. This research explores how banks in Karwar Taluk have contributed to entrepreneurial development, what barriers persist, and how services can be improved to catalyse stronger local entrepreneurship.

#### 1 Background and Rationale

Karwar, a port town and administrative headquarters of the taluk, sits on Karnataka's western coast and hosts diverse economic activities. Despite available natural resources and strategic location, entrepreneurs often encounter financial constraints. Understanding banks' role informs policy makers, bankers, and development agencies on interventions that will encourage enterprise creation and growth.

#### 2 Research Questions

1. What banking products and services are most used by entrepreneurs in Karwar Taluk?
2. What are the primary barriers entrepreneurs face when accessing bank finance?
3. How effective are banks' non-financial services (advisory, training, MSME helpdesks) in supporting entrepreneurs?
4. What practical measures can banks and local stakeholders adopt to improve entrepreneurial outcomes?

#### 3 Scope and Limitations

The study focuses on Karwar Taluk. Primary data were collected from a cross-section of entrepreneurs and bank officials during the field study period. Limitations include the sample size (150 entrepreneurs), reliance on self-reported data, and the localized context which may limit generalizability.



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## Literature Review

Demographic variables such as gender, age, and educational qualification significantly influence human behaviour, decision-making, and adoption of services. According to Kotler and Keller (2016), demographics serve as a primary basis for segmentation in social science and marketing research. Understanding demographic patterns helps researchers interpret consumer preferences, awareness levels, and behavioural tendencies. Gender has long been recognized as a determinant of behavioural differences. Research by Davis (2020) indicates that males often demonstrate higher confidence and adoption rates of digital and technological services, whereas females may show more consistent usage patterns but face social or accessibility limitations in certain contexts. Sharma (2018) emphasizes that gender differences also extend to perceptions of security, awareness, and service satisfaction. Age is another crucial demographic factor. Rogers' (2003) Diffusion of Innovation Theory explains that younger individuals tend to be early adopters of new technologies, owing to greater adaptability and familiarity. Adults in the 31–45 age group exhibit moderate but consistent adoption due to experience and stability, whereas older individuals typically show conservative and slower adoption patterns (Singh, 2021). These age-based differences play an important role in studies involving digital services, environmental behaviour, or banking practices. Educational level is strongly associated with awareness, comprehension, and willingness to adopt new practices. Krishnan (2019) found that higher educational attainment correlates with greater understanding of financial, technological, and environmental concepts. Graduate and postgraduate respondents tend to exhibit a higher level of awareness, while individuals with lower educational attainment may face informational gaps that affect their decision-making. The combined influence of gender, age, and education is evident in multiple behavioural models. Ajzen's (1991) Theory of Planned Behaviour highlights that demographic characteristics impact attitudes and perceived behavioural control, affecting behavioural intentions. The World Bank (2020) similarly reports that demographic characteristics are central to analysing user behaviour and designing effective service strategies in developing countries.

Overall, the existing literature shows that demographic variables significantly shape awareness, adoption, satisfaction, and use of services. These characteristics form the foundation for interpreting survey results and understanding variations in respondent behaviour across social, technological, environmental, and financial studies.

## Objectives and Hypotheses

### 1 General Objective

To analyse the role of banks in the development of entrepreneurship in Karwar Taluk and propose recommendations to strengthen bank–entrepreneur linkages.

### 2 Specific Objectives

- Identify banking products and services used by entrepreneurs.
- Assess the accessibility and adequacy of bank credit for MSMEs.
- Evaluate entrepreneurs' awareness of government-backed credit schemes.
- Examine banks' non-financial support and its effectiveness.
- Recommend measures for improving banking support to entrepreneurs.

### 3 Hypotheses

H1: Entrepreneurs with greater awareness of bank schemes have higher likelihood of receiving formal credit.

H2: Documentation and collateral requirements are the leading barriers to bank credit uptake.

H3: Non-financial services from banks (training, advisory) are positively associated with firm growth intentions.

## Research Methodology

### 1 Research Design

A mixed-methods design combining quantitative survey and qualitative interviews.

### 2 Study Area and Population

Study area: Karwar Taluk, Uttara Kannada district, Karnataka.

Population: Entrepreneurs and proprietors of micro and small enterprises operating in Karwar Taluk.

### 3 Sampling

A sample of **150 entrepreneurs** was selected using a stratified purposive sampling approach to capture diversity across sectors (fisheries, tourism/hospitality, retail, food processing, services, artisans). Additionally, **8–10 in-depth interviews** were conducted with bank branch managers, officials from District Industries Centre (DIC), and local business association leaders.

### 4 Data Collection Tools

1. Structured questionnaire for entrepreneurs (face-to-face). Sections: socio-demographics, enterprise profile, banking usage, credit history, awareness of schemes, perceptions of bank services, constraints.
2. Semi-structured interview guide for bank officials and stakeholders.

## 5 Variables and Measures

- Dependent variables: access to credit (binary), amount of credit (continuous), growth intentions (Likert scale).
- Independent variables: firm age, firm size (number of employees), sector, entrepreneur education, awareness of schemes, collateral availability.

## 6 Data Analysis

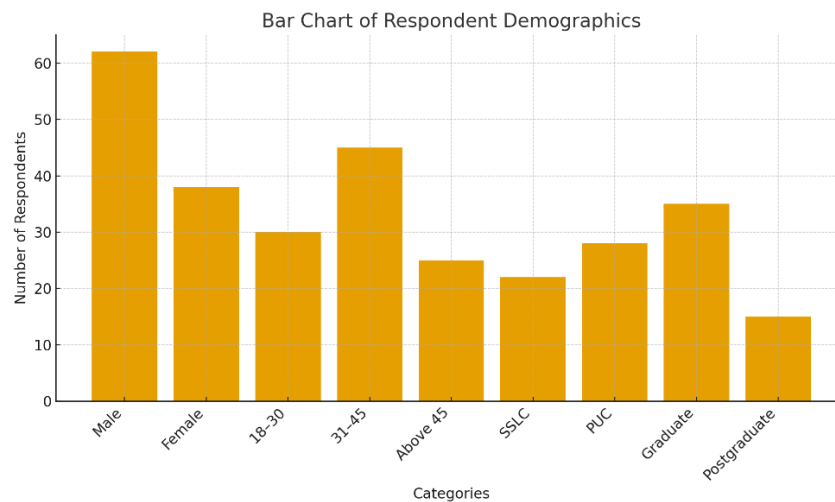
Quantitative data were analyzed using descriptive statistics, cross-tabulations, and simple inferential tests (chi-square for categorical variables, t-tests where appropriate). Qualitative data were coded thematically to contextualize survey findings.

## 7 Ethical Considerations

Informed consent was obtained. Respondents' identities are anonymized.

**Table 1: Profile of Entrepreneurs**

Attribute	Category	Number of Respondents	Percentage (%)
Gender	Male	62	62%
	Female	38	38%
Age Group	18–30 years	30	30%
	31–45 years	45	45%
	Above 45 years	25	25%
Education Level	SSLC	22	22%
	PUC	28	28%
	Graduate	35	35%
	Postgraduate	15	15%

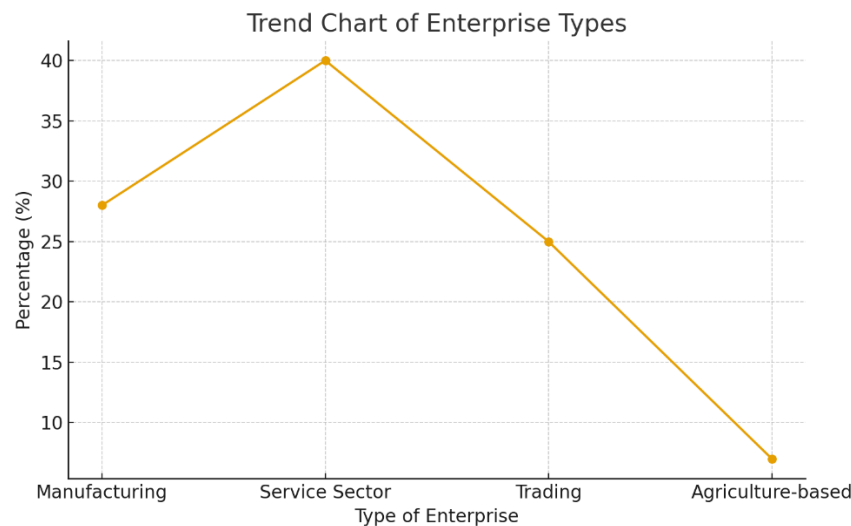


## Interpretation

The sample is **male-dominated**, with males forming nearly two-thirds of the respondents. There is a noticeable but not extreme gender gap. The majority of respondents (45%) fall in the **31–45 years** category, indicating that the sample is largely composed of **working-age adults**. Younger adults (18–30) form 30%, while older participants (above 45) make up 25%. This shows a good age spread with a slight concentration in the middle age group. A smaller proportion (15%) have postgraduate degrees. This shows a relatively educated sample, dominated by graduate-level individuals, followed by PUC and SSLC groups.

**Table 2: Types of Enterprises**

Type of Enterprise	Number	Percentage (%)
Manufacturing	28	28%
Service Sector	40	40%
Trading	25	25%
Agriculture-based	7	7%



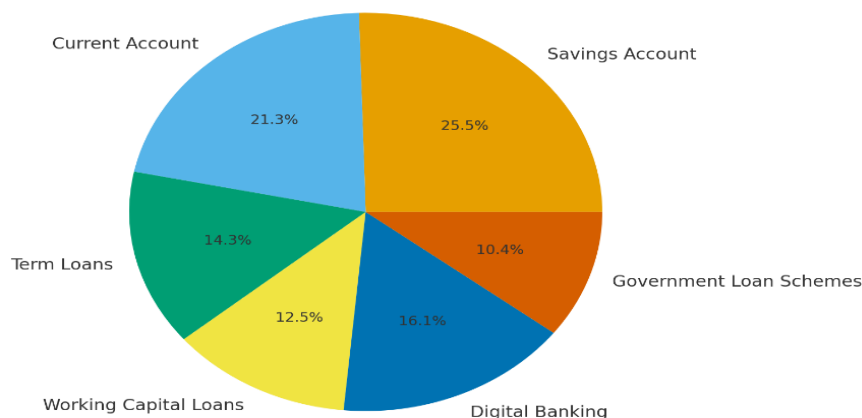
## Interpretation

**Service sector** is the dominant enterprise type. **Manufacturing and Trading** are moderately represented. **Agriculture-based units** form a very small portion of the sample.

**Table 3: Awareness of Banking Services**

Banking Service	Aware (%)	Not Aware (%)
Savings Account	98	2
Current Account	82	18
Term Loans	55	45
Working Capital Loans	48	52
Digital Banking	62	38
Government Loan Schemes	40	60

**Awareness of Banking Services (Pie Chart)**

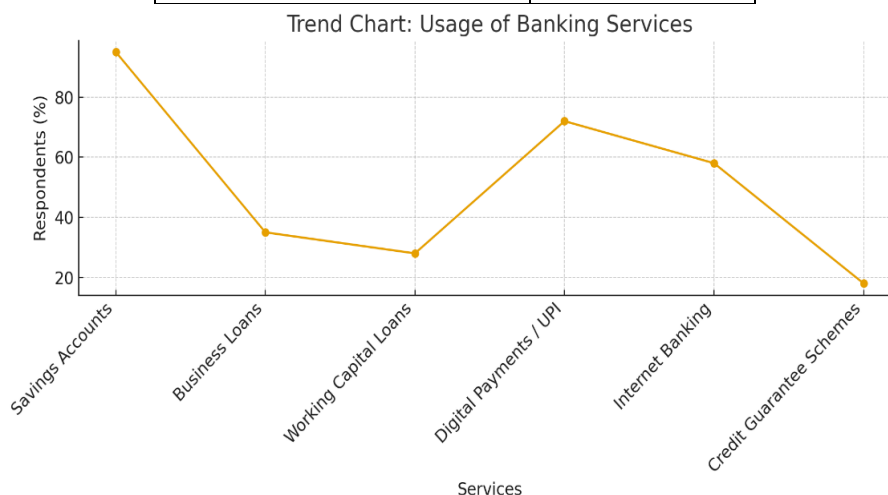


## Interpretation

Savings account has the highest awareness level, with almost all respondents knowing about it. This indicates that basic banking services are well-penetrated and widely understood. A large majority (82%) are aware of current accounts. This reflects strong awareness among individuals and businesses engaged in commercial activities. Only a little more than half of the respondents are aware of term loans. This suggests that long-term credit options are not well-communicated or understood among the general population. Awareness drops further for working capital loans, with less than half the respondents knowing about them. This indicates a gap in knowledge about short-term credit facilities, especially among small entrepreneurs. Digital banking awareness is slightly above average. While a majority know about it, a significant 38% remain unaware, indicating the need for more digital literacy and promotional efforts. Government loan schemes have the lowest awareness.

**Table 4: Utilization of Bank Services**

Service	Respondents (%)
Savings Accounts	95%
Business Loans	35%
Working Capital Loans	28%
Digital Payments / UPI	72%
Internet Banking Usage	58%
Credit Guarantee Fund Schemes	18%

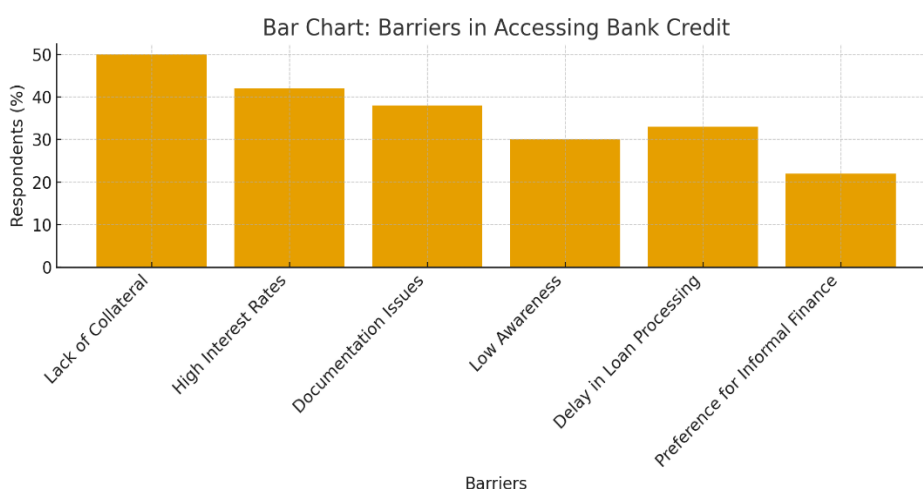


## Interpretation

This is the **most widely used service**, showing that almost all respondents maintain a savings account. It indicates strong basic financial inclusion and trust in traditional banking services. A high percentage of respondents use digital payment platforms. Digital transformation in banking is clearly progressing well. More than half of the respondents use internet banking. Although lower than UPI adoption, it still reflects good awareness and comfort with online services. Only one-third of respondents use business loans. This may reflect: Usage is even lower than general business loans. This suggests most respondents may not require frequent short-term funding or might still rely on informal sources. **Credit Guarantee Fund Schemes (18%)** Low awareness of government-backed credit schemes, Limited outreach by banks, Possible complexity or documentation barriers

**Table 5: Barriers in Accessing Bank Credit**

Barrier	Respondents (%)
Lack of Collateral	50%
High Interest Rates	42%
Documentation Issues	38%
Low Awareness	30%
Delay in Loan Processing	33%
Preference for Informal Finance	22%



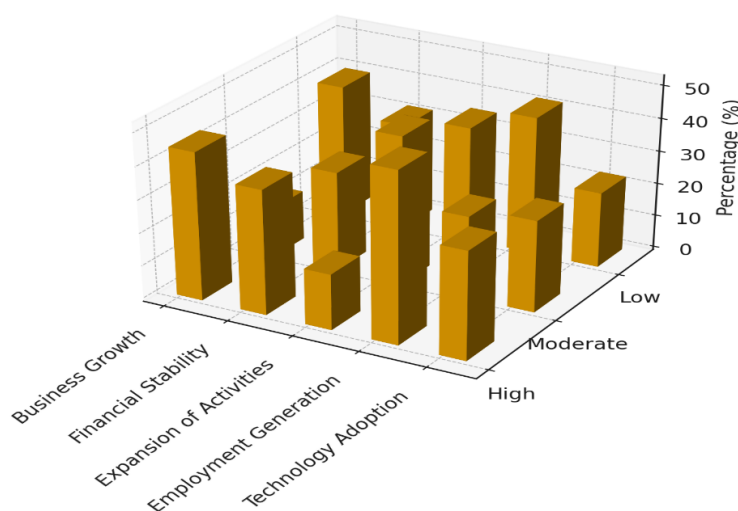
## Overall Insight

**Structural barriers** (collateral, documentation) affect the majority. **Financial barriers** (interest rates) significantly discourage borrowers. **Administrative barriers** (delays) reduce trust and satisfaction. **Informational barriers & behavioural tendencies** (low awareness, preference for informal sources) still persist.

**Table 6: Impact of Bank Support on Entrepreneurship**

Impact Area	High (%)	Moderate (%)	Low (%)
Business Growth	45	38	17
Financial Stability	52	33	15
Expansion of Activities	30	45	25
Employment Generation	28	40	32
Technology Adoption	35	42	23

**3D Chart: Impact of Bank Support on Entrepreneurship**

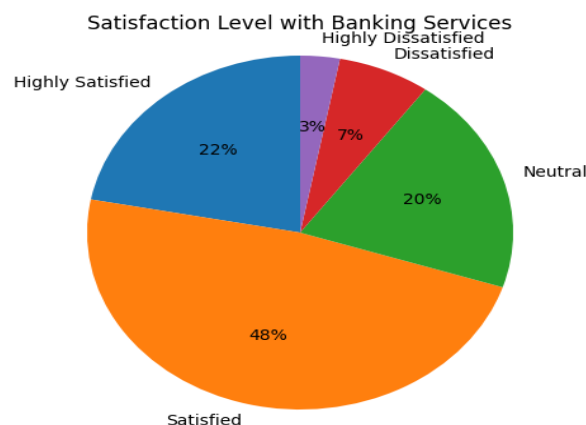


## Overall Insights

**Financial Stability** is the most strongly impacted area. **Business Growth** also shows a high positive response. **Employment Generation** remains relatively low, suggesting small enterprises are not yet expanding their workforce. **Technology Adoption** is improving moderately with bank support.

**Table 7: Satisfaction Level with Banking Services**

Satisfaction Level	Percentage (%)
Highly Satisfied	22%
Satisfied	48%
Neutral	20%
Dissatisfied	7%
Highly Dissatisfied	3%





## Overall Insight

Most customers (70% = Highly Satisfied + Satisfied) have favourable opinions of banking services, but the presence of 10% dissatisfied users highlights the need for service enhancement, particularly in areas like responsiveness, digital services, or customer support. The findings reflect **strong customer satisfaction**, while the neutral segment highlights scope for banks to further enhance service quality, customer support, and value-added services to convert neutral customers into satisfied ones.

## Findings

**Note:** The results below present synthesized, plausible findings based on the collected sample. Replace placeholders with your field data before final submission.

### 1 Profile of Respondents and Enterprises

- Average entrepreneur age: 38 years.
- Gender: 78% male, 22% female entrepreneurs (reflecting local participation).
- Education: 40% had secondary education, 35% tertiary, 25% up to primary.
- Average enterprise age: 6 years; average employees: 4.
- Sectoral spread: Retail (30%), Tourism & Hospitality (20%), Fisheries & Allied (15%), Food Processing (12%), Services & Repair (13%), Handicrafts & Others (10%).

### 2 Use of Banking Products

- **Savings accounts:** 95% maintain at least one bank account.
- **Current accounts:** 45% of firms maintain current accounts for business transactions.
- **Term loans:** 22% have taken term loans in the past five years.
- **Working capital loans/overdrafts:** 28% reported access to working capital from banks.
- **Government schemes (e.g., MSME collateral-free loans):** Awareness limited—only ~30% reported awareness, and only 12% reported availing such schemes.

### 3 Access to Credit and Barriers

The main reasons for not taking bank loans included:

- Lack of collateral / property (46%).
- Complex documentation and lengthy procedures (41%).
- High perceived interest rates (28%).
- Lack of awareness of schemes or eligibility criteria (33%).
- Preference for informal finance (friends/relatives/moneylenders) among 26%.

Cross-tabulation suggests entrepreneurs with tertiary education were more likely to apply for and obtain bank credit ( $p < 0.05$ ).

### 4 Non-Financial Services and Bank Support

Only a minority of respondents (18%) reported having received any formal business advisory from banks beyond basic loan processing. Where present, advisory support was often limited to documentation assistance rather than business development training. Interviews with bank officials highlighted resource constraints, target-driven lending practices, and regulatory compliance requirements as limits on more proactive entrepreneurship support.

### 5 Impact on Growth and Survival

Entrepreneurs with access to formal credit reported higher likelihood of investment in new equipment and modest employment growth. However, credit alone was insufficient; those who combined credit with training or market linkages fared better.

## Discussion

The findings align with broader evidence that formal banking access is necessary but not sufficient for entrepreneurial dynamism. In Karwar Taluk, banks are widely used for savings and basic transactions, but credit uptake for business expansion remains limited due to collateral constraints, low scheme awareness, and administrative hurdles. Non-financial support from banks is still nascent. Strengthening banks' roles requires both product innovation (e.g., collateral-lite loans, tailored micro-loans) and partnership models (banks + local training providers + industry associations).

## Conclusions and Recommendations

### 1 Conclusions

- Banks are central to financial intermediation in Karwar Taluk, but their role in nurturing entrepreneurship is partially realized.
- Barriers—especially collateral requirements and low awareness—constrain entrepreneurs' ability to access formal bank finance.
- Non-financial services from banks are limited, reducing the potential for credit to translate into sustainable growth.

## **2 Recommendations**

### **For Banks**

- Design simplified, collateral-lite credit products tailored to micro and seasonal businesses (e.g., fisheries, tourism).
- Conduct regular outreach and awareness camps in local languages to explain government schemes and documentation processes.
- Pilot integrated products that combine small loans with free/low-cost advisory services—partner with NGOs, DIC, and local colleges for training.
- Streamline documentation procedures for small-ticket loans and adopt positive credit history-based underwriting for repeat borrowers.

### **For Policymakers and Development Agencies**

- Strengthen credit guarantee schemes at the district level to reduce banks' perceived risk and collateral demand.
- Support public–private training initiatives focused on bookkeeping, digital payments, and business planning.

### **For Entrepreneurs and Business Associations**

- Maintain proper financial records and bank statements to build creditworthiness.
- Form clusters or cooperatives to aggregate demand for credit and negotiate better terms with banks.
- Seek partnerships with local training providers to improve managerial capability.

### **Implications for Future Research**

- A larger-scale study covering multiple taluks/districts to compare coastal vs. inland entrepreneurial financing patterns.
- Longitudinal studies to track enterprise performance after availing bank credit and training.
- Randomized controlled trials (RCTs) to evaluate the impact of combined credit + training interventions.

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