

Effect of Bank Credit on the Business Performance of Unorganised Event Management Firms in Salem District

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Abstract

The unorganised event management sector comprises a significant portion of the overall event industry in India. These are small businesses that provide event planning and management services. These firms operate without proper structure or organisation, making it difficult for them to compete with larger organised firms. However, unorganised event management firms have strengths that allow them to provide services to clients that organised firms may not be able to provide. Though, due to the lack of proper infrastructure, stiff competition and financial support, many event organisers operating in the unorganised sector face various challenges. The banks can play a vital role in supporting these event organisers by providing them with financial assistance and other services. This study investigates the effect of bank credit on the business performance of unorganised event management firms. The study covers 230 unorganised event organisers from the Salem district. The qualitative data were collected by using a well-crafted questionnaire. The study result proved that bank credit has significantly influenced the business performance of event management firms. Event organisers are satisfied with their business performance. Moreover, bank credit has substantially influenced business performance in developing a capacity to conduct multiple events simultaneously, business growth, return on investment, profitability, competitive advantage, purchase of new equipment and adoption of recent technology. The study recommended that banks should frame adequate policies to support small business firms to access bank credit without any hindrance. Hence, to

face challenges, event management firms should invest in proper organisational structure, recruit experienced professionals, and implement efficient planning and execution processes. This will help them to deliver successful events and build a positive reputation in the industry.

Keywords: Bank Credit, Business Performance, Event Management, Small Business Firms, Unorganised Sector

Introduction

Event management is growing as a major contributor to India's economy (Allied Market Research, 2022). As a result of globalisation, multi-national corporations began flowing into India, giving it a head start. It became a profession because people felt the need to plan an event successfully. At first, the only players in the industry were the big names with connections abroad who assisted them in planning the events (Hjalager & Kwiatkowski, 2018). Earlier, various activities were combined to provide a grand celebration, but nowadays, features like glitz and glamour are heavily added to the event to give it a distinctive feel and make it stand out from other gatherings (Hoon, 2007; Siddhpuria, 2023). Just like any other business or organisation, events require the skills of specialists. This is due to the fact that various event categories offer a range of products that address various needs. The span of event management includes everything from planning a modest birthday celebration to a large

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international mega-event like the Commonwealth games (Carlsen et al., 2010).

Entrepreneurship ventures like event management have a positive social and economic impact on India's economy (Amarendra, 2018; Kesto & Yisehak, 2022). There are no natural obstacles for event management service providers to launch their businesses. However, unorganised players heavily influence the events industry. These service providers are either undefined small businesses or undefined individuals or individuals (Elsaid et al., 2011; Modal et al., 2021). Event management firms foster innovation, transform people's perspectives and create new markets. It is thus referred to as a potential engine for economic progress, but the ability of small enterprises to acquire financing has always been seen as a serious challenge. The government must improve infrastructure and market access, while small businesses must create a business environment regarding regulations and how they are implemented to create opportunities for small entrepreneurs (Selim et al., 2017; Chaudhary & Kumar, 2023). Small businesses in India account for nearly 60% of jobs and 75% of the country's value added. However, access to external financing, like in many other countries, is a significant barrier to their development. Small business support is a complicated phenomenon (GOI, 2021; Sheroff, 2023). No one model has been created to date that can effectively explain why some small businesses succeed while others do not, despite the fact that it has attracted academic study. So, the present study has focused on the effect of bank credit on the performance of event management firms.

Review of Literature

According to Mair and Marti (2006), unorganised firms operate in an informal setting and are characterised by a lack of formal governance structures, limited resources and a reliance on personal networks for business development. While these firms may face challenges related to their lack of formalisation, they can also benefit from their flexibility, responsiveness and ability to adapt quickly to changing market conditions. Agbozo and Yeboah (2012) stated that bank credit was a significant source of capital since it helped businesses to reduce transaction costs, lower risk, take advantage of discounts and rectify market imperfections in emerging economies and during financial

crises in developed nations. Commercial loan financing denotes the money borrowed from private persons, banks, co-operatives, microfinance organisations and other lenders to develop business operations (Munyuny, 2013; Kesto & Yisehak, 2022). However, Vo et al. (2011) noted that start-up enterprises in Vietnam were hesitant to submit formal loan proposals to banks and found it challenging to get approval due to their position in the business cycle.

Abouzeedan (2003) identified that the small business units, a department of the American government, contribute to the funding of small business units by enticing banks and other financial institutions to extend loans to small businesses and new initiatives. Kihimbo et al. (2012) identified that bank loans were one of the sources of start-up financing for small and medium-sized enterprises (SMEs) in Kenya's Kakamega Municipality. Rosenberg et al. (2009) stated that business entities preferred banks for getting large loans. In addition, the banks were the most excellent source for availing short-term debt because of low-interest rates (Jun & Jen, 2003; Gupta, 2021). Similarly, a study by Lee and King (2008) found that unorganised event management firms in Hong Kong faced challenges related to a lack of business skills and knowledge, which limited their ability to manage finances, market their services effectively and negotiate contracts with suppliers and clients.

Getz and Page (2016) found that unorganised firms tended to focus on niche markets and specialised services, which allowed them to differentiate themselves from larger, more established firms. They also found that unorganised firms were more likely to rely on personal networks and referrals for new business than traditional marketing and advertising strategies. However, other studies have highlighted the challenges faced by unorganised event management firms. Hanlon and O'Reilly (2005) found that unorganised firms in the Irish events industry faced significant challenges related to a lack of resources, limited access to funding and difficulties in building relationships with suppliers and clients. There is strong evidence that bank credit has been a common source of funding in both developing and developed countries, serving as a primary source and an alternative and complementary source of capital. As a result, this study is necessary to examine how bank credit affects the business performance of unorganised event organisers.

Based on the earlier studies, the following hypotheses were framed:

- H1: Bank credit significantly impacts the business performance of unorganised event organisers.
- H2: Return on investment (ROI) has an antecedent of business performance of unorganised event organisers.
- H3: Business growth has an antecedent of the business performance of unorganised event organisers.
- H4: Profitability has an antecedent of the business performance of unorganised event organisers.
- H5: Comparative advantage has an antecedent of business performance of unorganised event organisers.
- H6: Equipment purchased has an antecedent of business performance of unorganised event organisers.
- H7: Recent technology adoption has an antecedent of the business performance of unorganised event organisers.
- H8: The capacity to conduct multiple events have an antecedent of business performance of unorganised event organisers.

Materials and Methods

The prime objective of this study is to investigate the effect of bank credit on the performance of event management firms. The study covers unorganised event organisers in the Salem District of Tamil Nadu, providing many unorganised event-organising firms. A sample of 230 unorganised event organisers has been randomly selected for the study. This study used a questionnaire to amass data from the event organisers. The 5-point Likert scale was utilised to assess the variables. The qualitative data collected from the event organisers were analysed by using SPSS and SPSS-AMOS. The study performed descriptive statistics and the single-sample 't' test. Thus, path analysis was used to gauge the causal effect among the study constructs.

- *Reliability Test for Research Tool*

Cronbach's alpha (α) values were used to check the internal consistency of the study variables (Table 1). The α value should be at .60 or higher to show internal consistency or

satisfactory convergence (Sekaran & Bougie, 2016). All the study variables had Cronbach's alpha values over .60, revealing the reliability of the composite measure.

Table 1: Reliability of the Dimensions in the Questionnaire

Constructs	No. of Items	α
Bank credit support	8	.816
Business performance	7	.743
Overall	15	.824

- *Normality Test for the Study Variables*

The Kolmogorov-Smirnov (K-S) test is employed to determine the normality of data collected from event organisers. Since the values are greater than 0.05, the K-S test result demonstrates that all research variables are normally distributed (Table 2). As a result, it is also confirmed that data can be used to apply statistical techniques.

Table 2: Normal Distribution of Study Variables

Constructs	K-S Test	Sig.
Bank credit support	.172	.000
Business performance	.154	.000

Results

Firmographics of event organisers showed that 61.7% of the event organisers are sole proprietors. 46.8% of the event organisers are medium-sized organisations, and 37.3% are 11–15 years old enterprises. 43.2% of the event organisers are arranging personal events, and most of their annual turnover ranges between 11 and 20 lakhs in a year (Table 3).

Table 3: Firmography of the Event Organisers

Firmography		Frequency (N=230)	%
Nature of organisation	Sole proprietorship	142	61.7
	Partnership	88	38.3
Type of organisation	Large	54	23.6
	Medium	108	46.8
	Small	68	29.5

Firmography		Frequency (N=230)	%
Age of business (in years)	Below 5	33	14.5
	6-10	70	30.5
	11-15	86	37.3
	Above 15	41	17.7
Type of events organised	Personal event	99	43.2
	Educational Event	53	23.2
	Cultural event	77	33.6
Annual turnover (in Lakhs)	Below 10	66	28.6
	11-20	102	44.5
	Above 20	62	26.8

Table 4: Descriptives and Single-Sample ‘t’ Test for Bank Credit Support

Items	\bar{x}	σ	t	P.
A bank loan is a vital support for my business	4.03	0.58	13.00	.000
Easy to avail a loan from banks	3.39	0.64	22.78	.000
Easy to access bank loans	4.35	0.70	17.06	.000
A Bank loan helps to perform my business better	4.11	0.63	14.32	.000
I receive overdrafts from my bank	4.13	0.62	9.76	.000
Overdraft aids my business is performing better	4.29	0.68	14.84	.000
I receive a line of credit finance	4.36	0.61	7.45	.000
The line of credit makes my business perform better	4.14	0.54	16.89	.000

There is a substantial variance in the bank credit support to event organisers since t-test values are significant at a 5% level. Thus, mean values for the variables of bank credit are greater than 4, which show the banks are highly

supportive of event organisers except to avail loans from banks. This is due to cumbersome formalities (Table 4).

Table 5: Descriptives and Single-Sample ‘t’ Test for Business Performance

Items	\bar{x}	σ	t	P.
Return on investment (ROI)	4.21	0.44	10.92	.000
Business growth (BG)	4.29	0.68	28.07	.000
Profitability (PRO)	4.26	0.68	16.81	.000
Competitive advantage (CA)	4.03	0.74	10.42	.000
New equipment purchased (EQP)	3.98	0.76	11.55	.000
Recent technology adopted (TEC)	4.05	0.67	8.10	.000
Capacity to conduct multiple events (MEVT)	4.30	0.63	26.18	.000

There is a substantial variance in the business performance of event organisers since the t-test values are significant at 5% level. Thus, mean values for the variables of business performance of event organisers are greater than 4, which shows the event organisers are satisfied with the business performance (Table 5).

• *Effect of Bank Support on Business Performance*

Measuring the nature of the relationship between the associated variables is essential to all research. Consequently, an effort has been made to determine how bank support affects business performance. In this regard, path analysis is employed to determine how these variables are related to one another (Table 6). A satisfactory level of fit is produced by the goodness of fit indices for the SEM (GFI=0.92; CFI=0.90; TLI=0.91; $\chi^2/df=3.86$). The value of the RMSEA is 0.036, which is in line with the recommendations ($RMSE \leq 0.08$) of Browne & Cudeck (1992). It delineates that the result ascertained a strong model fit.

Table 6: Regression Weights

Hypotheses	Estimate	S. E.	C. R.	P	Result
H8 MEVT <-- BP	1.00				Supported
H7 TEC <-- BP	.56	.03	17.21	***	
H6 EQP <-- BP	.78	.05	17.18	***	
H5 CA <-- BP	.43	.04	10.12	***	
H4 PRO <-- BP	.74	.04	19.16	***	
H3 BG <-- BP	1.38	.06	24.03	***	
H2 ROI <-- BP	.81	.06	14.44	***	
H1 BC <-- BP	.34	.05	6.85	***	

The path diagram proves the strength of the relationship between the variables. The standardised regression coefficients for MEVT, and BG are .76 and .82, respectively which indicates these variables have a strong influence on the business performance of event organisers. Additionally, the standardised regression coefficients for PRO, TEC, EQP and ROI are .65, .59,

.61 and .51, respectively. It indicates that these variables have a substantial influence on the business performance of event organisers. Finally, the regression coefficient between business performance and bank credit is 0.54. So, it is inferred that bank credit has significantly influenced the business performance of event organisers. The above results support H1–H8 (Fig. 1).

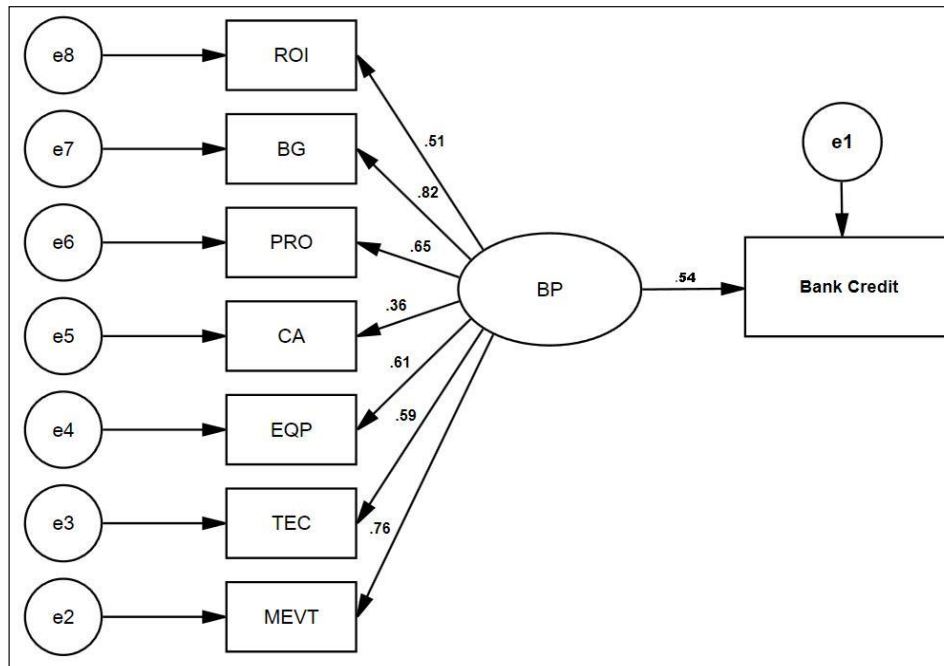


Fig. 1: Effect of Bank Credit on Business Performance

Discussion of Research Findings

The study has focused on the effect of bank credit on the business performance of unorganised event management firms. Bank credit is an essential source of financing for businesses and has significantly impacted business performance. This study results also proved that bank credit substantially influenced the business performance of event management firms. A similar result was reported by Abor and Quartey (2010), Chen and Chen (2011). Furthermore, bank credit has developed a capacity to conduct multiple events simultaneously. This result corroborated with Cheng and Chan (2017), Demircug-Kunt and Levine (2006), Gambera and Sironi (2003) and Park and Lee (2020).

The bank credit facilitated improvement in the business growth of event management firms. This result is in line with Ariff et al. (2011) and Beck et al. (2014). Furthermore,

the ROI of event management firms is linked with bank credit. These results are in line with the earlier studies conducted by Abor and Quartey (2010) and Kostakis and Kostaki (2020).

This study explored that bank credit positively affected the profitability of event management firms. This result is confirmed by Gou and Huang (2018) and Cheng et al. (2019). Moreover, the study found that bank credit can provide event management firms with a competitive advantage by enabling them to expand their operations into new markets. This result is in line with the earlier study conducted by Chen and Lee (2015). Bank credit can be a valuable source of financing for event management firms looking to invest in new equipment, technology, and personnel. This, in turn, can enable firms to differentiate themselves from their competitors and offer clients a wider range of services. These results are validated by Barros and Branco (2018) and Chowdhury and Imam (2016).

Suggestions

The study recommended that each small business must have a sound financial management system in place in order to utilise bank financing effectively and on time. Banks should frame adequate policies to support small business firms to access bank credit without any hindrances. A clear business plan with a detailed financial projection can help banks to understand business performance. This can increase the chances of approval of bank credit. Furthermore, the government should provide taxes and guarantee benefits to small businesses. In addition, the Chambers of Commerce and other trade associations should set up a database that includes the number of small projects in India, the number of initiatives, beneficiaries and the value of initiatives, as well as training programmes for small businesses related to capital management, human capital management, the extraction of export cards and training programmes related to customs procedures and international trade agreements.

Conclusion

The event management industry is a fast-growing sector, and like any business, it requires financing to operate efficiently. Bank credit is one of the major sources of financing for firms in the event management industry. The ability of businesses to access credit from banks is critical for their growth and profitability. The findings of the study also proved the relationship between bank credit and the business performance of unorganised event management firms. However, it is generally understood that access to credit can play a significant role in the growth and success of businesses. In the case of event management firms, having access to credit can help them fund their operations, invest in equipment and technology, hire staff and expand their services. At the same time, the business performance of unorganised event management firms is influenced by a range of factors beyond credit availability. These might include the quality of their services, their marketing and branding strategies, their ability to manage costs and their ability to adapt to changes in the market. Therefore, while bank credit can be an essential factor for unorganised event management firms, it is not the only factor that determines their success. Firms must also focus on developing strong business practices and strategies

that allow them to compete effectively in their industry.

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